

Senate Bill No. 8

Passed the Senate September 13, 1997

Secretary of the Senate

Passed the Assembly September 13, 1997

Chief Clerk of the Assembly

This bill was received by the Governor this ____ day
of _____, 1997, at ____ o'clock __M.

Private Secretary of the Governor

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CHAPTER ____

An act to add Sections 19810A, 19811A, 19812A, 19813A, 19814A, 19815.5A, 19815.8A, 19817A, 19820A, 19821A, 19822A, 19823A, 19824A, 19841A, 19842A, 19846A, 19847A, 19848A, 19850A, 19851A, 19852A, 19853A, 19854A, 19856A, 19857A, 19858A, 19858.7A, 19860A, 19862A, 19863A, 19864A, 19871A, 19872A, 19882A, 19883A, 19910.5A, 19911A, 19912A, 19913A, 19915A, 19918A, 19920A, 19921A, 19933.5A, 19942A, 19959.5A, and 19960.2A to, to add Article 3 (commencing with Section 19830A) and Article 7 (commencing with Section 19900A) to Chapter 5 of, to repeal Sections 19445, 19809, 19816, 19822.1, 19823.1, and 19950.2 of, to repeal Sections 19810, 19811, 19812, 19813, 19814, 19817, 19820, 19821, 19822, 19823, 19841, 19842, 19846, 19847, 19848, 19850, 19851, 19852, 19853, 19854, 19856, 19857, 19858, 19858.7, 19860, 19862, 19863, 19864, 19871, 19872, 19882, 19883, 19910.5, 19911, 19912, 19913, 19915, 19918, 19920, 19921, 19933.5, 19942, 19959.5, and 19960.2 to, to repeal and add Article 3 (commencing with Section 19830) and Article 8 (commencing with Section 19900) of Chapter 5 of, and to repeal and add Chapter 5 (commencing with Section 19800) of, Division 8 of, the Business and Professions Code, to add Section 1822.60 to the Code of Civil Procedure, to amend Section 15001 of, and to add Sections 15001.1 and 15001.2 to, the Government Code, and to amend Sections 186.9 and 14161 of, to add, repeal, and add Section 337j to, the Penal Code, and to add Chapter 8 (commencing with Section 4369) to Part 3 of Division 4 of the Welfare and Institutions Code, relating to gambling.

LEGISLATIVE COUNSEL'S DIGEST

SB 8, Lockyer. Gambling.

(1) Existing law, the Gaming Registration Act, among other things, prohibits the ownership or operation of a gaming club, as defined, without first obtaining a valid registration from the Attorney General. Existing law subjects any person operating a gaming club without a



license to punishment in the state prison or in a county jail for not more than one year.

This bill would repeal the Gaming Registration Act. The bill would recast these provisions, as specified, and would enact the Gambling Control Act.

(2) Existing law provides that the Department of Justice, under the direction and control of the Attorney General, is composed of the office of the Attorney General and the Division of Law Enforcement.

This bill would create the Division of Gambling Control within the Department of Justice. The bill would authorize the division to regulate legal gambling in this state, as specified. This bill would also create the California Gambling Control Board and delegate specified duties to the board. Upon the occurrence of certain events, the California Gambling Control Commission, which this bill would also create, would succeed to all of the powers of the California Gambling Control Board, which would be abolished.

(3) Under existing law, the California Horse Racing Board is the state entity responsible for negotiating with the Indian tribes for the purpose of entering into a tribal-state compact governing the conduct of horseracing activities on Indian lands of the tribe.

This bill would repeal that provision.

(4) Existing law prohibits certain conduct with regard to gambling, as specified.

This bill, among other things, would provide that a violation of the Gambling Control Act, unless otherwise indicated in the act, is a misdemeanor, thereby imposing a state-mandated local program by creating a new crime. The bill would also prohibit specified persons from engaging in certain activities related to any controlled game, as defined, without having first procured a state license. A violation of this provision would be a misdemeanor, thereby imposing a state-mandated local program by creating a new crime.

(5) This bill would create within the State Treasury the Gambling Control Fund, and would provide that, upon appropriation by the Legislature, \$5,400,000 of that

fund each fiscal year shall be available to the Department of Justice exclusively for the support of the Division of Gambling Control and the California Gambling Control Board.

(6) The Milton Marks Postgovernment Employment Restrictions Act of 1990, a part of the Political Reform Act of 1974, generally prohibits officers and employees of a state administrative agency, as defined, from making an appearance or communication for a period of 12 months after he or she leaves office before or to that agency for the purpose of influencing administrative action or other proceedings of the agency.

This bill would prohibit certain officials and employees of the division and the board from making an appearance or communication for a period of 3 years from termination of employment or leaving of the office before or to the division or the board for the purpose of influencing the division or the board.

(7) Existing law provides that any person who conducts or attempts to conduct a money laundering transaction, as described, shall be punished by imprisonment in a county jail for not more than one year or in the state prison, by a specified fine, or both.

This bill would include any person or business engaged in controlled gambling, as specified, within the definition of “financial institution” for purposes of those money laundering provisions. Thus, by expanding the scope of an existing crime, the bill would impose a state-mandated local program. This bill would also make additional changes in these provisions, to be operative only if AB 195 is also chaptered, and this bill is chaptered last.

(8) This bill would also impose a state-mandated local program by increasing the reporting and specified administrative duties of local law enforcement and licensing entities.

(9) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.



This bill would provide that for certain costs no reimbursement is required by this act for a specified reason.

However, the bill would provide that, if the Commission on State Mandates determines that this bill contains other costs mandated by the state, reimbursement for those costs shall be made pursuant to those statutory procedures and, if the statewide cost does not exceed \$1,000,000, shall be made from the State Mandates Claims Fund.

The people of the State of California do enact as follows:

SECTION 1. Section 19445 of the Business and Professions Code is repealed.

SEC. 2. Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code is repealed.

SEC. 3. Chapter 5 (commencing with Section 19800) is added to Division 8 of the Business and Professions Code, to read:

CHAPTER 5. THE GAMBLING CONTROL ACT

Article 1. General Provisions

19800. This chapter shall be known, and may be cited, as the “Gambling Control Act.”

19801. The Legislature hereby finds and declares all of the following:

(a) The longstanding public policy of this state disfavors the business of gambling. State law prohibits commercially operated lotteries, banked or percentage games, and gambling machines, and strictly regulates parimutuel wagering on horseracing. To the extent that state law categorically prohibits certain forms of gambling and prohibits gambling devices, nothing herein shall be construed, in any manner, to reflect a legislative intent to relax those prohibitions.



(b) Gambling can become addictive and is not an activity to be promoted or legitimized as entertainment for children and families.

(c) Unregulated gambling enterprises are inimical to the public health, safety, welfare, and good order. Accordingly, no person in this state has a right to operate a gambling enterprise except as may be expressly permitted by the laws of this state and by the ordinances of local governmental bodies.

(d) It is the policy of this state that gambling activities that are not expressly prohibited or regulated by state law may be prohibited or regulated by local government. Moreover, it is the policy of this state that no new cardroom may be opened in a city, county, or city and county in which a cardroom was not operating on and before January 1, 1984, except upon the affirmative vote of the electors of that city, county, or city and county.

(e) It is not the purpose of this chapter to expand opportunities for gambling, or to create any right to operate a gambling enterprise in this state or to have a financial interest in any gambling enterprise. Rather, it is the purpose of this chapter to regulate businesses that offer otherwise lawful forms of gambling games.

(f) Public trust that permissible gambling will not endanger public health, safety, or welfare requires that comprehensive measures be enacted to ensure that such gambling is free from criminal and corruptive elements, that it is conducted honestly and competitively, and that it is conducted in suitable locations.

(g) Public trust and confidence can only be maintained by strict and comprehensive regulation of all persons, locations, practices, associations, and activities related to the operation of lawful gambling establishments and the manufacture or distribution of permissible gambling equipment.

(h) All gambling operations, all persons having a significant involvement in gambling operations, all establishments where gambling is conducted, and all manufacturers, sellers, and distributors of gambling equipment must be licensed and regulated to protect the



public health, safety, and general welfare of the residents of this state as an exercise of the police powers of the state.

(i) To ensure that gambling is conducted honestly, competitively, and free of criminal and corruptive elements, all licensed gambling establishments in this state must remain open to the general public and the access of the general public to licensed gambling activities must not be restricted in any manner, except as provided by the Legislature. However, subject to state and federal prohibitions against discrimination, nothing herein shall be construed to preclude exclusion of unsuitable persons from licensed gambling establishments in the exercise of reasonable business judgment.

(j) In order to effectuate state policy as declared herein, it is necessary that gambling establishments, activities, and equipment be licensed, that persons participating in those activities be licensed or registered, that certain transactions, events, and processes involving gambling establishments and owners of gambling establishments be subject to prior approval or permission, that unsuitable persons not be permitted to associate with gambling activities or gambling establishments, and that gambling activities take place only in suitable locations. Any license or permit issued, or other approval granted pursuant to this chapter, is declared to be a revocable privilege, and no holder acquires any vested right therein or thereunder.

(k) The location of lawful gambling premises, the hours of operation of those premises, the number of tables permitted in those premises, and wagering limits in permissible games conducted in those premises are proper subjects for regulation by local governmental bodies. However, consideration of those same subjects by a state regulatory agency, as specified in this chapter, is warranted when local governmental regulation respecting those subjects is inadequate or the regulation fails to safeguard the legitimate interests of residents in other governmental jurisdictions.



(l) The exclusion or ejection of certain persons from gambling establishments is necessary to effectuate the policies of this chapter and to maintain effectively the strict regulation of licensed gambling.

(m) Records and reports of cash and credit transactions involving gambling establishments may have a high degree of usefulness in criminal and regulatory investigations and, therefore, licensed gambling operators may be required to keep records and make reports concerning significant cash and credit transactions.

19801.2. The Legislature further finds and declares as follows:

Appropriate regulation of banking and percentage games or of gambling devices consistent with public safety and welfare would require, at a minimum, all of the following safeguards:

(a) The creation of an adequately funded gambling control commission with comprehensive powers to establish minimum standards and technical specifications for gambling equipment and devices.

(b) The creation of an adequately funded law enforcement capability within state government to inspect, test, and evaluate gambling equipment and devices and modifications thereto.

(c) An appropriation by the Legislature to sufficiently fund a full-time commission and law enforcement capability with responsibilities commensurate with the expanded scope of gambling.

(d) The enactment of necessary regulations setting forth standards and procedures for the licensing of persons connected with the manufacture, sale, and distribution of equipment and devices in this state.

(e) The enactment of standards related to the trustworthiness and fairness of equipment and devices, upon the commission's recommendation to the Legislature.

(f) The enactment of statutory provisions governing the importation, transportation, sale, and disposal of



equipment and devices, upon the commission's recommendation to the Legislature.

(g) The enactment of statutes providing for appropriate inspection and testing of equipment and devices, upon the commission's recommendation to the Legislature.

19802. (a) It is the intent of the Legislature, in enacting this chapter, to provide uniform, minimum standards of regulation of permissible gambling activities and the operation of lawful gambling establishments.

(b) Nothing in this chapter shall be construed to preclude any city, county, or city and county from prohibiting any gambling activity, from imposing more stringent local controls or conditions upon gambling than are imposed by this chapter or by the board, from inspecting gambling premises to enforce applicable state and local laws, or from imposing any local tax or license fee, if the prohibition, control, condition, inspection, tax, or fee is not inconsistent with this chapter. Nothing in this chapter shall be construed to affect the responsibility of local law enforcement agencies to enforce the laws of this state, including this chapter.

19804. (a) In any action for declaratory or injunctive relief, or for relief by way of any extraordinary writ, other than an action initiated pursuant to Section 19922, wherein the construction, application, or enforcement of this chapter, or any regulation adopted pursuant thereto, or any order of the division or the board issued pursuant thereto, is called into question, a court shall not grant any preliminary or permanent injunction, or any peremptory writ of mandate, certiorari, or prohibition, in connection therewith, except as follows:

(1) Upon proof by clear and convincing evidence that the division or the board is abusing or threatens to abuse its discretion.

(2) Upon proof by clear and convincing evidence that the division or the board is exceeding or threatens to exceed its jurisdiction.

(b) No temporary injunction or other provisional order shall issue to restrain, stay, or otherwise interfere



with any action by the division or the board except upon a finding by the court, based on clear and convincing evidence, that the public interest will not be prejudiced thereby, and no such order shall be effective for more than 15 calendar days.

(c) Nothing herein shall be construed to relieve a petitioner's obligation to exhaust administrative remedies.

(d) In an action for relief of any nature wherein the construction, application, or enforcement of this chapter, or any regulation adopted pursuant thereto, or any order of the division or board issued pursuant thereto, is called into question, the party filing the pleading shall furnish a copy thereof to the division. The copy shall be furnished by the party filing the pleading within 10 business days after filing.

19805. As used in this chapter, the following definitions shall apply:

(a) "Affiliate" means a person who, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, a specified person.

(b) "Applicant" means any person who has applied for, or is about to apply for, a state gambling license, manufacturer's or distributor's license, or approval of any act or transaction for which division approval is required or permitted under this chapter.

(c) "Board" means the California Gambling Control Board.

(d) "Controlled gambling" means to deal, operate, carry on, conduct, maintain, or expose for play any controlled game.

(e) "Controlled game" means any controlled game, as defined by subdivision (e) of Section 337j of the Penal Code.

(f) "Director," when used in connection with a corporation, means any director of a corporation or any person performing similar functions with respect to any organization. In any other case, "director" means the Director of the Division of Gambling Control.



(g) “Division” means the Division of Gambling Control in the Department of Justice.

(h) “Finding of suitability” means a finding that a person meets the qualification criteria described in subdivisions (a) and (b) of Section 19848, and that the person would not be disqualified from holding a state gambling license on any of the grounds specified in subdivision (a) of Section 19850.

(i) “Game” and “gambling game” means any controlled game.

(j) “Gambling” means to deal, operate, carry on, conduct, maintain, or expose for play any controlled game.

(k) “Gambling enterprise employee” means any natural person employed in the operation of a gambling enterprise, including, without limitation, dealers, floormen, security employees, countroom personnel, cage personnel, collection personnel, surveillance personnel, data processing personnel, appropriate maintenance personnel, waiters and waitresses, and secretaries, or any other natural person whose employment duties require or authorize access to restricted gambling establishment areas.

(l) “Gambling establishment” or “establishment” means one or more rooms where any controlled gambling occurs.

(m) “Gambling license” means any license issued by the state that authorizes the person named therein to conduct a gambling operation.

(n) “Gambling operation” means one or more controlled games that are dealt, operated, carried on, conducted, maintained, or exposed for play for commercial gain.

(o) Except as provided by regulation, “gross revenue” means the total of all compensation received for conducting any controlled game, and includes interest received in payment for credit extended by an owner licensee to a patron for purposes of gambling.



(p) Except as determined by regulation, “independent agent” means any person who does either of the following:

(1) Approves or grants the extension of gambling credit on behalf of a gambling licensee or collects debt evidenced by a credit instrument.

(2) Contracts with an owner licensee, or an affiliate thereof, to provide services consisting of arranging transportation or lodging for guests at a gambling establishment.

(q) “Institutional investor” means any retirement fund administered by a public agency for the exclusive benefit of federal, state, or local public employees, any investment company registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.), any collective investment trust organized by banks under Part Nine of the Rules of the Comptroller of the Currency, any closed-end investment trust, any chartered or licensed life insurance company or property and casualty insurance company, any banking and other chartered or licensed lending institution, any investment advisor registered under the Investment Advisors Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that capacity, and such other persons as the board may determine for reasons consistent with the policies of this chapter.

(r) “Key employee” means any natural person employed in the operation of a gambling enterprise in a supervisory capacity or empowered to make discretionary decisions that regulate gambling operations, including, without limitation, pit bosses, shift bosses, credit executives, cashier operations supervisors, gambling operation managers and assistant managers, managers or supervisors of security employees, or any other natural person designated as a key employee by the division for reasons consistent with the policies of this chapter.

(s) “Key employee license” means a state license authorizing the holder to be associated with a gambling enterprise as a key employee.



(t) “Licensed gambling establishment” means the gambling premises encompassed by a state gambling license.

(u) “Limited partnership” means a partnership formed by two or more persons having as members one or more general partners and one or more limited partners.

(v) “Limited partnership interest” means the right of a general or limited partner to any of the following:

(1) To receive from a limited partnership any of the following:

(A) A share of the revenue.

(B) Any other compensation by way of income.

(C) A return of any or all of his or her contribution to capital of the limited partnership.

(2) To exercise any of the rights provided under state law.

(w) “Owner licensee” means an owner of a gambling enterprise who holds a state gambling license.

(x) Unless otherwise indicated, “person” includes a natural person, corporation, partnership, limited partnership, trust, joint venture, association, or any other business organization.

(y) “Publicly traded racing association” means a corporation licensed to conduct horseracing and simulcast wagering pursuant to Chapter 4 (commencing with Section 19400) whose stock is publicly traded.

(z) “Qualified racing association” means a corporation licensed to conduct horseracing and simulcast wagering pursuant to Chapter 4 (commencing with Section 19400) that is a wholly owned subsidiary of a corporation whose stock is publicly traded.

(aa) “Work permit” means any card, certificate, or permit issued by the division or by a county, city, or city and county, whether denominated as a work permit, registration card, or otherwise, authorizing the holder to be employed as a gambling enterprise employee or to serve as an independent agent. A document issued by any governmental authority for any employment other than



gambling is not a valid work permit for the purposes of this chapter.

19806. Nothing in this chapter shall be construed in any way to permit or authorize any conduct made unlawful by Chapter 9 (commencing with Section 319) of, or Chapter 10 (commencing with Section 330) of, Title 9 of Part 1 of the Penal Code, or any local ordinance.

19807. Except as otherwise provided in this chapter, whenever the division or board is a defendant or respondent in any proceeding, or when there is any legal challenge to regulations issued by the board or division, venue for the proceeding shall be in the County of Sacramento, the City and County of San Francisco, the County of Los Angeles, or the County of San Diego.

19808. Upon the occurrence of one of the events specified in Section 66 of the act that added this chapter, any reference in this chapter to a section repealed upon the occurrence of one of those events shall be deemed to be a reference to the successor section of the same number with the suffix “A” made operative pursuant to Section 66 of the act that added this chapter.

Article 2. Administration

19809. (a) There is within the Department of Justice the Division of Gambling Control as provided in Section 15001 of the Government Code. Except as otherwise provided in this chapter, any power or authority of the division described in this chapter may be exercised by the Attorney General or such other person as the Attorney General may delegate.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.



19810. (a) There is in state government the California Gambling Control Board, consisting of three members.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19811. (a) Each member of the board shall be a citizen of the United States and a resident of this state.

(b) No Member of the Legislature, no person holding any elective office in state, county, or local government, and no officer or official of any political party is eligible for appointment to the board.

(c) No more than two of the three members of the board shall be members of the same political party.

(d) A person is ineligible for appointment to the board if, within two years prior to appointment, the person, or any partnership or corporation in which the person is a principal, was employed by, retained by, or derived substantial income from, any gambling establishment.

For purposes of this subdivision, “gambling establishment” means one or more rooms wherein any gaming within the meaning of Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code, or any controlled game within the meaning of Section 337j of the Penal Code, is conducted, whether or not the activity occurred in California.

(e) One member of the board shall be a certified public accountant with auditing experience, one member shall be an attorney and a member of the State Bar of California with regulatory law experience, and one member shall be from the public at large.

(f) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in

Section 66 of the act that added this chapter, deletes or extends that date.

19812. (a) Of the members initially appointed, one shall be appointed for a term of two years, one shall be appointed for a term of three years, and one shall be appointed for a term of five years. After the initial terms, the term of office of each member of the board is five years.

(b) The Governor shall appoint the members of the board, subject to confirmation by the Senate, and shall designate one member to serve as chairperson. The initial appointments shall be made on or before March 1, 1998. Thereafter, vacancies shall be filled within 60 days of the date of the vacancy by the Governor, subject to confirmation by the Senate.

(c) The Governor may remove any board member for incompetence, neglect of duty, or corruption upon first giving him or her a copy of the charges and an opportunity to be heard.

(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19813. (a) Before entering upon the duties of his or her office, each member shall subscribe to the constitutional oath of office and, in addition, swear that he or she is not, and during his or her term of office shall not be, pecuniarily interested in, or doing business with, any person, business, or organization holding a gambling license.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.



19814. (a) Each board member shall receive a per diem of one hundred dollars (\$100) for each day spent in attendance at meetings scheduled by the chairperson of the board for the purpose of fulfilling the duties of the board pursuant to this chapter, and shall be reimbursed for traveling and other expenses necessarily incurred in the performance of official duties.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19815. (a) The board shall have an executive secretary appointed by the board. A person is ineligible for appointment as executive secretary or deputy executive secretary if, within two years prior to appointment, the person, or any partnership or corporation in which the person is a principal, was employed by, retained by, or derived substantial income from, any gambling establishment, whether or not a controlled gambling establishment.

(b) The executive secretary shall receive the annual salary established by the board and approved by the Department of Personnel Administration. The executive secretary shall be the board's executive officer and shall carry out and execute the duties as specified by law and by the board and, for that purpose, the executive secretary may appoint staff and clerical personnel. It is the intent of the Legislature that the employment of assistants and clerical personnel as provided by this subdivision shall not be accomplished by any reduction in the reasonably necessary staffing level of the division.

19816. (a) The division shall furnish to the board all equipment, supplies, and office space that may be necessary for the purpose of carrying out the board's functions.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of



the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19817. (a) Except as otherwise provided in this chapter, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code applies to meetings of the board.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19818. The executive secretary of the board may appoint no more than two attorneys as counsel to the board. However, in lieu of representation by the attorneys appointed pursuant to this section, the board may request representation by the Attorney General in any proceeding before any court.

19820. (a) The division shall maintain a file of all applications for licenses under this chapter, together with a record of all action taken with respect to those applications. The file and record shall be open to public inspection.

(b) The division and board may maintain files and records as they deem appropriate. Except as provided in this chapter, the records of the division are exempt from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

(c) Except as necessary for the administration of this chapter, no member of the board and no official, employee, or agent of the board or division, having obtained access to confidential records or information in the performance of duties pursuant to this chapter, shall knowingly disclose or furnish the records or information, or any part thereof, to any person who is not authorized



by law to receive it. A violation of this subdivision is a misdemeanor.

(d) Notwithstanding subdivision (k) of Section 1798.24 of the Civil Code, a court shall not compel disclosure of personal information in the possession of the division to any person in any civil proceeding wherein the division or the board is not a party, except for good cause and upon a showing that the information cannot otherwise be obtained. Nothing herein shall be construed to authorize the disclosure of personal information that would otherwise be exempt from disclosure.

(e) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19821. (a) All files, records, reports, and other information in possession of any state or local governmental agency that are relevant to an investigation by the division conducted pursuant to this chapter shall be made available to the division as requested. However, any tax information received from a governmental agency shall be used solely for effectuating the purposes of this chapter. To the extent that the files, records, reports, or information described in this section are confidential or otherwise privileged from disclosure under any law or exercise of discretion, they shall not lose that confidential or privileged status for having been disclosed to the division.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19822. (a) The division and the board are responsible for all of the following:



(1) Assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(2) Assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation, or the ownership or management thereof, by unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(3) Investigating the qualifications of applicants before any license is issued, and investigating any request for any approval or permission that may be required pursuant to this chapter.

(b) For purposes of this section, “unqualified person” means a person who is found to be unqualified pursuant to the criteria set forth in Section 19848, and “disqualified person” means a person who is found to be disqualified pursuant to the criteria set forth in Section 19850.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19822.1. (a) The responsibilities of the division include, without limitation, all of the following:

(1) Monitoring the conduct of all licensees and other persons having a material involvement, directly or indirectly, with a gambling operation or its holding company, for the purpose of ensuring that licenses are not issued or held by, and that there is no direct or indirect material involvement with, a gambling operation or holding company by ineligible, unqualified, disqualified, or unsuitable persons, or persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.



(2) Investigating suspected violations of this chapter or laws of this state relating to gambling, including any activity prohibited by Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code.

(3) Investigating complaints that are lodged against licensees, or other persons associated with a gambling operation, by members of the public.

(4) Initiating, where appropriate, disciplinary actions as provided in this chapter.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19823. (a) The division shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of this chapter, including, without limitation, the power to do all of the following:

(1) Require any person to apply for a license or approval as specified in this chapter.

(2) For any cause deemed reasonable by the division, deny any application for a license, permit, or approval provided for in this chapter, or limit, condition, or restrict any such license, permit, or approval.

(3) Approve or disapprove transactions, events, and processes as provided in this chapter.

(4) Take actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities.

(5) Take actions deemed to be reasonable to ensure that gambling activities take place only in suitable locations.

(6) Grant temporary licenses or approvals on appropriate terms and conditions.



(7) Institute a civil action in any superior court against any person subject to this chapter to restrain a violation of this chapter. An action brought against a person pursuant to this section does not preclude a criminal action or administrative proceeding against that person by the Attorney General or any district attorney or city attorney.

(8) Approve the play of any controlled game, including placing restrictions and limitations on how a controlled game may be played.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19823.1. (a) In addition to other powers and duties specified in this chapter, the board may grant, deny, revoke, suspend, or impose conditions, restrictions, or limitations on licenses, permits, or approvals as provided in this chapter.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19825. (a) The division has all powers necessary and proper to enable it to carry out fully and effectually the duties and responsibilities of the division specified in this chapter. The investigatory powers of the division include, but are not limited to, all of the following:

(1) Upon approval of the director, and without notice or warrant, the division may take any of the following actions:

(A) Visit, investigate, and place expert accountants, technicians, and any other person, as it may deem necessary, in all areas of the premises wherein controlled



gambling is conducted for the purpose of determining compliance with the rules and regulations adopted pursuant to this chapter.

(B) Visit, inspect, and examine all premises where gambling equipment is manufactured, sold, or distributed.

(C) Inspect all equipment and supplies in any gambling establishment or in any premises where gambling equipment is manufactured, sold, or distributed.

(D) Summarily seize, remove, and impound any equipment, supplies, documents, or records from any licensed premises for the purpose of examination and inspection. However, upon reasonable demand by the licensee or the licensee's authorized representative, a copy of all documents and records seized shall be made and left on the premises.

(E) Demand access to, and inspect, examine, photocopy, and audit all papers, books, and records of an owner licensee on the gambling premises in the presence of the licensee or his or her agent.

(2) Except as provided in paragraph (1), upon obtaining an inspection warrant pursuant to Section 1822.60 of the Code of Civil Procedure, the division may inspect and seize for inspection, examination, or photocopying any property possessed, controlled, bailed, or otherwise held by any applicant, licensee, or any intermediary company, or holding company.

(3) The division may investigate, for purposes of prosecution, any suspected criminal violation of this chapter. However, nothing in this paragraph limits the powers conferred by any other provision of law on agents of the division who are peace officers.

(4) The division may do both of the following:

(A) Issue subpoenas to require the attendance and testimony of witnesses and the production of books, records, documents, and physical materials.

(B) Administer oaths, examine witnesses under oath, take evidence, and take depositions and affidavits or declarations. Notwithstanding Section 11189 of the

Government Code, the division, without leave of court, may take the deposition of any applicant or any licensee. Sections 11185 and 11191 of the Government Code do not apply to a witness who is an applicant or a licensee.

(b) (1) Subdivision (a) shall not be construed to limit warrantless inspections except as required by the California Constitution or the United States Constitution.

(2) Subdivision (a) shall not be construed to prevent entries and administrative inspections, including seizures of property, without a warrant in the following circumstances:

(A) With the consent of the owner, operator, or agent in charge of the premises.

(B) In situations presenting imminent danger to health and safety.

(C) In situations involving inspection of conveyances where there is reasonable cause to believe that the mobility of the conveyance makes it impractical to obtain a warrant, or in any other exceptional or emergency circumstance where time or opportunity to apply for a warrant is lacking.

(D) In accordance with this chapter.

(E) In all other situations where a warrant is not constitutionally required.

19827. (a) Without limiting any privilege that is otherwise available under law, any communication or document from, or concerning, an applicant, licensee, or registrant is absolutely privileged under any of the following circumstances:

(1) It was made or published by an agent or employee of the division or board in the proper discharge of official duties or in the course of any proceeding under this chapter.

(2) It was required to be made or transmitted to the division or board, or any of their agents or employees by law, regulation, or subpoena of the division or the board.

(3) It was made or transmitted to the division for the purpose of causing, or during the course of, an investigation conducted pursuant to this chapter. No statement, and no publication of any document,



described in this subdivision, shall impose liability for defamation or constitute a ground for recovery in any civil action.

(b) If any document or communication provided to the division contains any information that is privileged pursuant to Division 8 (commencing with Section 900) of the Evidence Code, or any other provision of law, that privilege is not waived or lost because the document or communication is disclosed to the division or the board or to any of their agents or employees.

(c) The division, the board, and their agents and employees shall not release or disclose any information, documents, or communications provided by an applicant or licensee that are privileged pursuant to Division 8 (commencing with Section 900) of the Evidence Code, without the prior written consent of the applicant or licensee, or pursuant to lawful court order after timely notice of the proceedings has been given to the applicant or licensee. An application to a court for an order requiring the division or the board to release any information declared by law to be confidential shall be made only upon motion made in writing on not less than 10 business days' notice to the division, and to all persons who may be affected by the entry of the order.

19828. Every district attorney, and every state and local law enforcement agency, shall furnish to the division, on forms prepared by the division, all information obtained during the course of any substantial investigation or prosecution of any person, as determined by the division, if it appears that a violation of any law related to gambling has occurred, including any violation of Chapter 9 (commencing with Section 319) or Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code.

19829. There is an investigative account within the Gambling Control Fund. All funds received for the purpose of paying expenses incurred by the division for investigation of an application for a license or approval under this chapter shall be deposited in the account.

Expenses may be advanced from the investigative account to the division by the director.

Article 3. Regulations

19830. (a) The division may adopt regulations for the administration and enforcement of this chapter. To the extent appropriate, regulations of the division shall take into consideration the operational differences of large and small establishments. The board may adopt regulations relating to its internal procedures that may be required and that are not inconsistent with this chapter.

(b) Subject to subdivision (d), Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the following regulations of the division, if adopted within 90 days after the effective date of this chapter:

(1) Regulations described in subdivisions (a), (b), (e), (g), (h), (i) to (n), inclusive, (p), and (q) of Section 19834.

(2) Regulations adopted for the purpose of implementing Section 62 of the act that enacted this chapter.

(c) Any regulation adopted pursuant to subdivision (b) shall be filed with the Secretary of State and shall be effective immediately upon that filing.

(d) Except as otherwise provided in this subdivision, no regulation adopted pursuant to subdivision (b) shall be valid after September 1, 1998, unless the regulation has been subsequently readopted by the division in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, subject to all of the following:

(1) This subdivision does not apply to a regulation that is exempted from Article 5 (commencing with Section 11346) of Chapter 3.5 of Division 3 of Title 2 of the Government Code, by operation of subdivision (a) of Section 11346.1 of the Government Code.

(2) If, prior to September 1, 1998, the division has mailed a notice described in Section 11346.4 of the

Government Code with respect to a regulation adopted pursuant to subdivision (b), the regulation shall not cease to be effective pursuant to this subdivision until the earlier of one of the following events:

(A) The readopted regulation is filed with the Secretary of State pursuant to subdivision (a) of Section 11349.3, or subdivision (e) of Section 11349.5, of the Government Code.

(B) The readopted regulation has been disapproved by the Office of Administrative Law and the time within which a request for review may be filed pursuant to Section 11349.5 of the Government Code has expired.

(C) The readopted regulation is disapproved by the Office of Administrative Law, and the Governor transmits a decision pursuant to subdivision (c) of Section 11349.5 of the Government Code affirming the disapproval.

19834. The regulations adopted by the division shall do all of the following:

(a) With respect to applications, registrations, investigations, and fees, the regulations shall include, but not be limited to, provisions that do all of the following:

(1) Prescribe the method and form of application and registration.

(2) Prescribe the information to be furnished by any applicant, licensee, or registrant concerning, as appropriate, the person's personal history, habits, character, associates, criminal record, business activities, organizational structure, and financial affairs, past or present.

(3) Prescribe the information to be furnished by an owner licensee relating to the licensee's gambling employees.

(4) Require fingerprinting or other methods of identification of an applicant, licensee, or employee of a licensee.

(5) Prescribe the manner and method of collection and payment of fees and issuance of licenses.

(b) Provide for the approval of game rules and equipment by the division to ensure fairness to the public and compliance with state laws.

(c) Implement the provisions of this chapter relating to licensing.

(d) Require owner licensees to report and keep records of transactions, as determined by the division, involving cash or credit. The regulations may include, without limitation, regulations requiring owner licensees to file with the division reports similar to those required by Sections 5313 and 5314 of Title 31 of the United States Code, and by Sections 103.22 and 103.23 of Title 31 of the Code of Federal Regulations, and any successor provisions thereto, from financial institutions, as defined in Section 5312 of Title 31 of the United States Code and Section 103.11 of Title 31 of the Code of Federal Regulations, and any successor provisions.

(e) Provide for the receipt of protests and written comments on an application by public agencies, public officials, local governing bodies, or residents of the location of the gambling establishment or future gambling establishment.

(f) Provide for the disapproval of advertising by licensed gambling establishments that is determined by the division to be deceptive to the public. Regulations adopted by the division for advertising by licensed gambling establishments shall be consistent with the advertising regulations adopted by the California Horse Racing Board and the Lottery Commission. Advertisement that appeals to children or adolescents, or offers gambling as a means of becoming wealthy is presumptively deceptive.

(g) Govern all of the following:

(1) The extension of credit.

(2) The cashing, deposit, and redemption of checks or other negotiable instruments.

(3) The verification of identification in monetary transactions.

(h) Prescribe minimum procedures for adoption by owner licensees to exercise effective control over their



internal fiscal and gambling affairs, which shall include, but not be limited to, provisions for all of the following:

(1) The safeguarding of assets and revenues, including the recording of cash and evidences of indebtedness.

(2) Prescribing the manner in which compensation from games and gross revenue shall be computed and reported by an owner licensee.

(3) The provision of reliable records, accounts, and reports of transactions, operations, and events, including reports to the division.

(i) Provide for the adoption and use of internal audits, whether by qualified internal auditors or by certified public accountants. As used in this subdivision, “internal audit” means a type of control that operates through the testing and evaluation of other controls and that is also directed toward observing proper compliance with the minimum standards of control prescribed in subdivision (h).

(j) Require periodic financial reports from each owner licensee.

(k) Specify standard forms for reporting financial conditions, results of operations, and other relevant financial information.

(l) Formulate a uniform code of accounts and accounting classifications to ensure consistency, comparability, and effective disclosure of financial information.

(m) Prescribe intervals at which the information in subdivisions (j) and (k) shall be furnished to the division.

(n) Require audits to be conducted, in accordance with generally accepted auditing standards, of the financial statements of all owner licensees whose annual gross revenues equal or exceed a specified sum. However, nothing herein shall be construed to limit the division’s authority to require audits of any owner licensee. Audits, compilations, and reviews provided for in this subdivision shall be made by independent certified public accountants licensed to practice in this state.



(o) Restrict, limit, or otherwise regulate any activity that is related to the conduct of controlled gambling, consistent with the purposes of this chapter.

(p) Define and limit the area, games, and equipment permitted, or the method of operation of games and equipment, when, at the request of a sheriff or district attorney, the division determines that local regulation of these subjects is insufficient to protect the health, safety, or welfare of residents in geographical areas proximate to a gambling establishment.

(q) Prohibit gambling establishments from cashing checks drawn against any federal, state, or county fund, including, but not limited to, social security, unemployment insurance, disability payments, or public assistance payments.

However, a gambling establishment shall not be prohibited from cashing any payroll checks or checks for the delivery of goods or services that are drawn against a federal, state, or county fund.

19834.5. (a) The division shall not prohibit, on a statewide basis, the play of any game or restrict the manner in which any game is played, unless the division, in a proceeding pursuant to this article, finds that the game, or the manner in which the game is played, violates a law of the United States, a law of this state, or a local ordinance.

(b) Nothing in this section shall be construed to limit the powers of the division in a proceeding against a licensee pursuant to Article 9.5 (commencing with Section 19920).

(c) No regulation prohibiting a game or the manner in which a game is played shall be deemed to be an emergency regulation.

19834.6. The division shall not prohibit, on a statewide basis, the placing of a wager on a controlled game by a person at a gaming table, if the person is present at the table and actively participating in the hand with a single seated player upon whose hand the wagers are placed.

19835. (a) The division, by regulation, shall provide for the formulation of a list of persons who are to be



excluded or ejected from any gambling establishment. The list may include any person whose presence in the establishment is determined by the division to pose a threat to the interests of this state or to controlled gambling, or both.

(b) In making the determination described in subdivision (a), the division may consider, but is not limited to considering, any of the following:

(1) Prior conviction of a crime that is a felony in this state or under the laws of the United States, a crime involving moral turpitude, or a violation of the gambling laws of this or any other state.

(2) The violation of, or conspiracy to violate, the provisions of this chapter relating to the failure to disclose an interest in a gambling establishment for which the person is required to obtain a license, or the willful evasion of fees.

(3) A notorious or unsavory reputation that would adversely affect public confidence and trust that the gambling industry is free from criminal or corruptive elements.

(4) An order of exclusion or ejection from a racing inclosure issued by the California Horse Racing Board.

(c) The division shall distribute the list of persons who are to be excluded or ejected from any gambling establishment to all owner licensees and shall provide notice to any persons included on the list.

(d) The division shall adopt regulations establishing procedures for hearing of petitions by persons who are ejected or excluded from licensed premises pursuant to this section or pursuant to Section 19835.5.

(e) The board may revoke, limit, condition, or suspend the license of an owner, or fine an owner licensee, if that licensee knowingly fails to exclude or eject from the gambling establishment of that licensee any person included on the list of persons to be excluded or ejected.

19835.5. (a) A licensee may remove from his or her licensed premises any person who, while on the premises:

(1) Is a disorderly person, as defined by Section 647 of the Penal Code.



- (2) Interferes with a lawful gambling operation.
- (3) Solicits or engages in any act of prostitution.
- (4) Beggars, is boisterous, or is otherwise offensive to other persons.
- (5) Commits any public offense.
- (6) Is intoxicated.
- (7) Is a person who the division, by regulation, has determined should be excluded from licensed gambling establishments in the public interest.

(b) Nothing in this section shall be deemed, expressly or impliedly, to preclude a licensee from exercising the right to deny access to or to remove any person from its premises or property for any reason the licensee deems appropriate.

19836. This article shall remain in effect only until the occurrence of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

Article 4. Licensing

19840. Every person who, either as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, deals, operates, carries on, conducts, maintains, or exposes for play any controlled game in this state, or who receives, directly or indirectly, any compensation or reward, or any percentage or share of the money or property played, for keeping, running, or carrying on any controlled game in this state, shall obtain, and thereafter maintain a valid state gambling license, key employee license, or work permit, as specified in this chapter. In any criminal prosecution for violation of this section, the punishment shall be as provided in Section 337j of the Penal Code.

19840.5. (a) The owner of a gambling enterprise shall apply for and obtain a state gambling license.

(b) Other persons who also obtain a state gambling license, or key employee license, as required by this

chapter, shall not receive a separate license certificate, but the license of every such person shall be endorsed on the license that is issued to the owner of the gambling enterprise.

19841. (a) An owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually applies for and obtains a state gambling license:

(1) If the owner is a corporation, then each officer, director, and shareholder, other than a holding or intermediary company, of the owner. The foregoing does not apply to an owner that is either a publicly traded racing association or a qualified racing association.

(2) If the owner is a publicly traded racing association, then each officer, director, and owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the publicly traded corporation.

(3) If the owner is a qualified racing association, then each officer, director, and shareholder, other than an institutional investor, of the subsidiary corporation and any owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the publicly traded corporation.

(4) If the owner is a partnership, then every general and limited partner of, and every trustee or person, other than a holding or intermediary company, having or acquiring a direct or beneficial interest in, that partnership owner.

(5) If the owner is a trust, then the trustee, every beneficiary, and, in the discretion of the division, the trustor of the trust.

(6) If the owner is a business organization other than a corporation, partnership, or trust, then all those persons as the division may require, consistent with this chapter.

(7) Each person who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.

(8) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the

owner who, in the judgment of the division, has the power to exercise a significant influence over the gambling operation.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19842. (a) The division, by regulation or order, may require that the following persons register with the division, apply for a finding of suitability, or apply for a gambling license:

(1) Any person who furnishes any services or any property to a gambling enterprise under any arrangement whereby that person receives payments based on earnings, profits, or receipts from controlled gambling.

(2) Any person who owns an interest in the premises of a licensed gambling establishment or in real property used by a licensed gambling establishment.

(3) Any person who does business on the premises of a licensed gambling establishment.

(4) Any person who is an independent agent of, or does business with, a gambling enterprise as a ticket purveyor, a tour operator, the operator of a bus program, or the operator of any other type of travel program or promotion operated with respect to a licensed gambling establishment.

(5) Any person who provides any goods or services to a gambling enterprise for compensation that the division finds to be grossly disproportionate to the value of the goods or services provided.

(6) Every person who, in the judgment of the division, has the power to exercise a significant influence over the gambling operation.

(b) If a publicly traded corporation is engaged in activities described in paragraphs (2), (3), and (4) of subdivision (a), the division may require the corporation



and the following other persons to apply for and obtain a license or finding of suitability:

(1) Any officer or director.

(2) Any owner, other than an institutional investor, of 5 percent or more of the outstanding shares of the corporation.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19844. (a) Every key employee shall apply for and obtain a key employee license.

(b) Licenses issued to key employees shall be for specified positions only, and those positions shall be enumerated in the endorsement described in subdivision (b) of Section 19840.5.

(c) No person may be issued a key employee license unless the person would qualify for a state gambling license.

(d) No person may be issued a key employee license unless the person is a resident of this state.

19846. (a) Every person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required. Every person who, by order of the division, is required to apply for a gambling license or a finding of suitability shall file the application within 30 calendar days after receipt of the order.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19847. (a) Any person who the division determines is qualified to receive a state license, having due consideration for the proper protection of the health, safety, and general welfare of the residents of the State of California and the declared policy of this state, may be issued a license. The burden of proving his or her qualifications to receive any license is on the applicant.

(b) An application to receive a license constitutes a request for a determination of the applicant's general character, integrity, and ability to participate in, engage in, or be associated with, controlled gambling.

(c) In reviewing an application for any gambling license, the division shall consider whether issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the license will undermine public trust that the gambling operations with respect to which the license would be issued are free from criminal and dishonest elements and would be conducted honestly.

(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19848. No gambling license shall be issued unless, based on all of the information and documents submitted, the division is satisfied that the applicant is all of the following:

(a) A person of good character, honesty, and integrity.

(b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto.

(c) A person that is in all other respects, qualified to be licensed as provided in this chapter.



(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19848.5. (a) Except as provided in subdivision (b), a person shall be deemed to be unsuitable to hold a state gambling license to own a gambling establishment if the person, or any partner, officer, director, or shareholder of the person, has any financial interest in any business or organization that is engaged in any form of gambling prohibited by Section 330 of the Penal Code, whether within or without this state.

(b) Subdivision (a) does not apply to a publicly traded racing association, a qualified racing association, or any person who is licensed pursuant to paragraphs (2) or (3) of subdivision (a) of Section 19841.

19850. (a) The division shall deny a license to any applicant who is disqualified for any of the following reasons:

(1) Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.

(2) Failure of the applicant to provide information, documentation, and assurances required by this chapter or requested by the director, or failure of the applicant to reveal any fact material to qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

(3) Conviction of the applicant for any crime punishable as a felony.

(4) Conviction of the applicant for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code.

(5) Association of the applicant with criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(6) Contumacious defiance by the applicant of any legislative investigatory body, or other official investigatory body of any state or of the United States, when that body is engaged in the investigation of crimes relating to gambling; official corruption related to gambling activities; or criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(7) The applicant is less than 21 years of age.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19851. (a) The division shall deny a gambling license with respect to any gambling establishment that is located in a city, county, or city and county that does not have an ordinance governing all of the following matters:

(1) The hours of operation of gambling establishments.

(2) Patron security and safety in and around the gambling establishments.

(3) The location of gambling establishments.

(4) Wagering limits in gambling establishments.

(5) The number of gambling tables in each gambling establishment and in the jurisdiction.

(b) In any city, county, or city and county in which the local gambling ordinance does not govern the matters specified in subdivision (a), any amendment to the ordinance to govern those matters is not subject to Section 19950.1.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted



before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19852. (a) In addition to other grounds stated in this chapter, the division shall consider denying a gambling license for any of the following reasons:

(1) If issuance of the license with respect to the proposed gambling establishment or expansion would tend unduly to create law enforcement problems in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's premises.

(2) If an applicant fails to conduct an economic feasibility study that demonstrates to the satisfaction of the division that the proposed gambling establishment will be economically viable, and that the owners have sufficient resources to make the gambling establishment successful. The division shall hold a public hearing for the purposes of reviewing the feasibility study.

(3) If issuance of the license is sought in respect to a new gambling establishment, or the expansion of an existing gambling establishment, that is to be located or is located near an existing school, an existing building used primarily as a place of worship, an existing playground or other area of juvenile congregation, an existing hospital, convalescence facility, or near another similarly unsuitable area, as determined by regulation of the division, which is located in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's gambling premises.

(b) For the purposes of this section, "expansion" means an increase of 25 percent or more in the number of authorized gambling tables in a gambling establishment, based on the number of gambling tables for which a license was initially issued pursuant to this chapter.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is



repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19852.1. A publicly traded racing association or a qualified racing association shall be allowed to operate only one gaming club, and the gaming club shall be located on the same premises as the entity's racetrack.

19853. (a) Application for a state license or other division action shall be made on forms furnished by the division.

(b) The application for a gambling license shall include all of the following:

(1) The name of the proposed licensee.

(2) The name and location of the proposed gambling establishment.

(3) The gambling games proposed to be conducted.

(4) The names of all persons directly or indirectly interested in the business and the nature of the interest.

(5) A description of the proposed gambling establishment and operation.

(6) Any other information and details the division may require in order to discharge its duty properly.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19853.5. The division shall furnish to the applicant supplemental forms, which the applicant shall complete and file with the division. These supplemental forms shall require, but shall not be limited to requiring, complete information and details with respect to the applicant's personal history, habits, character, criminal record, business activities, financial affairs, and business associates, covering at least a 10-year period immediately preceding the date of filing of the application.



19854. (a) An applicant for licensing or for any approval or consent required by this chapter, shall make full and true disclosure of all information to the division as necessary to carry out the policies of this state relating to licensing, registration, and control of gambling.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19855. (a) An application for a license shall be accompanied by the deposit of a sum of money that, in the judgment of the director, will be adequate to pay the anticipated costs and charges incurred in the investigation and processing of the application. The director shall adopt a schedule of costs and charges of investigation for use as guidelines in fixing the amount of any required deposit under this section.

(b) During an investigation, the director may require an applicant to deposit any additional sums as are required by the division to pay final costs and charges of the investigation.

(c) Any money received from an applicant in excess of the costs and charges incurred in the investigation or the processing of the application shall be refunded pursuant to regulations adopted by the division. At the conclusion of the investigation, the director shall provide the applicant a written, itemized accounting of the costs and charges so incurred.

19856. (a) Within a reasonable time after the filing of an application and any supplemental information the division may require, and the deposit of any fee required pursuant to Section 19855, the division shall commence its investigation of the applicant and, for that purpose, may conduct any proceedings it deems necessary. To the extent practicable, all applications shall be acted upon within 180 calendar days of the date of submission of a completed application. If an investigation has not been

concluded within 180 days after the date of submission of a completed application, the division shall provide the applicant with a conditional license. Issuance of a conditional license creates no vested right to the issuance of a state gambling license, and the applicant retains the burden of proving his or her qualifications for that license.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19857. (a) A request for withdrawal of any application may be made at any time prior to final action upon the application by the director by the filing of a written request to withdraw with the division. The division shall not grant the request unless the applicant has established that withdrawal of the application would be consistent with the public interest and the policies of this chapter. If a request for withdrawal is denied, the division may go forward with its investigation and may act upon the application as if no request for withdrawal had been made. If a request for withdrawal is granted with prejudice, the applicant thereafter shall be ineligible to renew its application until the expiration of one year from the date of the withdrawal. Unless the division otherwise directs, no fee or other payment relating to any application is refundable by reason of withdrawal of an application.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19858. (a) The division may either deny the application or grant a license to an applicant who it determines to be qualified to hold the license.



(b) When the division grants an application for a license or approval, the division may limit or place restrictions thereon as it may deem necessary in the public interest, consistent with the policies described in this chapter.

(c) Prior to denying a license or issuing a license with limitations, conditions, or restrictions, the director, or the director's designee, shall meet with the applicant, or the applicant's duly authorized representative, and inform the applicant generally of the basis for the denial, limitations, conditions, or restrictions.

(d) If a license is denied, the director shall prepare and serve on the applicant a written statement of reasons for the denial.

(e) Within 10 business days after the division mails a notice of action on an application, the applicant may file a written objection thereto with the board. Upon receipt of a timely objection, in proper form, the board shall meet to consider the application. The meeting shall commence within 30 days after the filing of the written objection.

(f) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19858.5. (a) The board meeting described in Section 19858 shall be conducted in accordance with regulations of the board and as follows:

(1) Oral evidence shall be taken only upon oath or affirmation.

(2) Each party shall have all of the following rights:

(A) To call and examine witnesses.

(B) To introduce exhibits relevant to the issues of the case.

(C) To cross-examine opposing witnesses on any matters relevant to the issues, even though the matter was not covered on direct examination.



(D) To impeach any witness, regardless of which party first called the witness to testify.

(E) To offer rebuttal evidence.

(3) If the applicant does not testify in his or her own behalf, he or she may be called and examined as if under cross-examination.

(4) The meeting need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence may be considered, and is sufficient in itself to support a finding, if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule that might make improper the admission of that evidence over objection in a civil action.

(b) Nothing in this section confers upon an applicant a right to discovery of the division's investigative reports or to require disclosure of any document or information the disclosure of which is otherwise prohibited by any other provision of this chapter.

19858.7. (a) No member of the board may communicate ex parte, directly or indirectly, with any applicant, or any agent, representative, or person acting on behalf of an applicant, or any agent or employee of the division, upon the merits of an application for a license, permit, registration, or approval while the application is pending disposition before the division or the board.

(b) No employee or agent of the division, applicant, or any agent, representative, or person acting on behalf of an applicant, and no person who has a direct or indirect interest in the outcome of a proceeding to consider an application for a license, permit, registration, or approval may communicate ex parte, directly or indirectly, with any member of the board, upon the merits of the application while the application is pending disposition before the board.

(c) The receipt by a member of the board of an ex parte communication prohibited by subdivision (b) may provide the basis for disqualification of that member or



the denial of the application. The board shall adopt regulations to implement this subdivision.

(d) For the purposes of this section, “ex parte” means a communication without notice and opportunity for all parties to participate in the communication.

(e) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19859. No license may be assigned or transferred either in whole or in part.

19860. (a) Subject to subdivision (b) of Section 19840.5, the division or the board, as the case may be, shall issue and deliver to the applicant a license entitling the applicant to engage in the activity for which the license is issued, together with an enumeration of any specific terms and conditions of the license if both of the following conditions have been met:

(1) The division or the board is satisfied that the applicant is eligible and qualified to receive the license.

(2) All license fees required by statute and by regulations of the division have been paid.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19861. An owner’s gambling license shall be posted at all times in a conspicuous place in the area where gambling is conducted in the establishment for which the license is issued until it is replaced by a succeeding license.

19862. (a) Subject to the power of the division or the board to deny, revoke, suspend, condition, or limit any license, as provided in this chapter, a license shall be



renewed annually by the division from the date of issuance, upon proper application for renewal and payment of state license fees as required by statute or regulation.

(b) An application for renewal of a gambling license shall be filed by the owner licensee with the division no later than 120 calendar days prior to the expiration of the current license, and all license fees shall be paid to the division on or before the expiration of the current license. The division shall act upon any application for renewal prior to the date of expiration of the current license, and shall provide, by regulation, for notifying licensees of impending license expiration dates. Upon renewal of any owner license, the division shall issue an appropriate renewal certificate or validating device or sticker.

(c) Unless the division determines otherwise, renewal of an owner's gambling license shall be deemed to effectuate the renewal of every other gambling license endorsed thereon.

(d) In addition to the penalties provided by law, any owner licensee who deals, operates, carries on, conducts, maintains, or exposes for play any gambling game after the expiration date of the gambling license is liable to the state for all license fees and penalties that would have been due upon renewal.

(e) If an owner licensee fails to renew the gambling license as provided in this chapter, the division may order the immediate closure of the premises and a cessation of all gambling activity therein until the license is renewed.

(f) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19862.5. The failure of an owner licensee to file an application for renewal before the date specified in this chapter may be deemed a surrender of the license. A



license has not been renewed within the meaning of this section until all required renewal fees have been paid.

19863. (a) Neither an owner licensee, nor a California affiliate of an owner licensee, shall enter into, without prior approval of the division, any contract or agreement with a person who is denied a license, or whose license is suspended or revoked by the division, or with any business enterprise under the control of that person, after the date of receipt of notice of the action by the division.

(b) An owner licensee or an affiliate of the owner licensee shall not employ, without prior approval of the division, any person in any capacity for which he or she is required to be licensed, if the person has been denied a license, or if his or her license has been suspended or revoked after the date of receipt of notice of the action by the division. Neither an owner licensee, nor a California affiliate of an owner licensee, without prior approval of the division, shall enter into any contract or agreement with a person whose application has been withdrawn with prejudice, or with any business enterprise under the control of that person, for the period of time during which the person is prohibited from filing a new application for licensure.

(c) (1) If an employee who is required to be licensed pursuant to this chapter fails to apply for a license within the time specified by regulation, is denied a license, or has his or her license revoked by the division, the employee shall be terminated in any capacity in which he or she is required to be licensed and he or she shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, upon being notified of that action.

(2) If an employee who is required to be licensed pursuant to this chapter has his or her license suspended, the employee shall be suspended in any capacity in which he or she is required to be licensed and shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, during the period of suspension, upon being notified of that action.



(3) If the owner licensee designates another employee to replace the employee whose employment was terminated, the owner licensee shall promptly notify the division and shall require the newly designated employee to apply for a license.

(d) An owner licensee or an affiliate of the owner licensee shall not pay to a person whose employment has been terminated pursuant to subdivision (c) any remuneration for any service performed in any capacity in which the person is required to be licensed, except for amounts due for services rendered before the date of receipt of notice of the action by the division. Neither an owner licensee, nor an affiliate thereof, during the period of suspension, shall pay to a person whose employment has been suspended pursuant to subdivision (c), any remuneration for any service performed in any capacity in which the person is required to be licensed, except for amounts due for services rendered before the date of receipt of notice of the action by the division.

(e) Except as provided in subdivision (c), a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, which is to be performed by a person required by this chapter or by the division to be licensed, shall be terminated upon a suspension or revocation of the person's license.

(f) In any case in which a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, is to be performed by a person required by this chapter or by the division to be licensed, the contract shall be deemed to include a provision for its termination without liability on the part of the owner licensee or its duly registered holding company upon a suspension or revocation of the person's license. In any action brought by the division to terminate a contract pursuant to subdivision (c) or (e), it shall not be a defense that the agreement does not expressly include the provision described in this subdivision, and the lack of express inclusion of the provision in the



agreement shall not be a basis for enforcement of the contract by a party thereto.

(g) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19864. (a) With regard to a person who has had his or her application for a license denied by the division, all of the following shall apply:

(1) Except as provided in paragraph (3), the person shall not be entitled to profit from his or her investment in any business entity that has applied for or been granted a state license.

(2) The person shall not retain his or her interest in a business entity described in paragraph (1) beyond that period prescribed by the division.

(3) The person shall not accept more for his or her interest in a business entity described in paragraph (1) than he or she paid for it, or the market value on the date of the denial of the license or registration, whichever is higher.

(4) Nothing in this section shall be construed as a restriction or limitation on the powers of the division specified in this chapter.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

Article 5. Licensing of Corporations

19870. In addition to the requirements of Section 19841, in order to be eligible to receive a gambling license



as the owner of a gambling enterprise, a corporation shall comply with all of the following requirements:

(a) Maintain an office of the corporation in the gambling establishment.

(b) Comply with all of the requirements of the laws of this state pertaining to corporations.

(c) Maintain, in the corporation's principal office in California or in the gambling establishment, a ledger that meets both of the following conditions:

(1) At all times reflects the ownership of record of every class of security issued by the corporation.

(2) Is available for inspection by the division at all reasonable times without notice.

(d) Register as a corporation with the division and supply the following supplemental information to the division:

(1) The organization, financial structure, and nature of the business to be operated, including the names, personal and criminal history, and fingerprints of all officers, directors, and key employees, and the names, addresses, and number of shares held by all stockholders of record.

(2) The rights and privileges acquired by the holders of different classes of authorized securities, including debentures.

(3) The terms on which securities are to be offered.

(4) The terms and conditions on all outstanding loans, mortgages, trust deeds, pledges, or any other indebtedness or security device.

(5) The extent of the equity security holdings in the corporation of all officers, directors, and underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.

(6) The amount of remuneration to persons other than directors and officers in excess of fifty thousand dollars (\$50,000) per annum.

(7) Bonus and profit-sharing arrangements.

(8) Management and service contracts.

(9) Options existing, or to be created, in respect of their securities or other interests.



(10) Financial statements for at least three fiscal years preceding the year of registration, or, if the corporation has not been in existence for a period of three years, financial statements from the date of its formation. All financial statements shall be prepared in accordance with generally accepted accounting principles and audited by a licensee of the State Board of Accountancy.

(11) Any further financial data that the division, with the approval of the board, may deem necessary or appropriate for the protection of the state.

(12) An annual profit-and-loss statement and an annual balance sheet, and a copy of its annual federal income tax return, within 30 calendar days after that return is filed with the Internal Revenue Service.

19871. (a) No corporation is eligible to receive a license to own a gambling enterprise unless the conduct of controlled gambling is among the purposes stated in its articles of incorporation and the articles of incorporation have been submitted to and approved by the division.

(b) Beginning July 1, 1998, the Secretary of State shall not accept for filing any articles of incorporation of any corporation that include as a stated purpose the conduct of controlled gambling, or any amendment thereto, or any amendment that adds this purpose to articles of incorporation already filed, unless the articles have, or amendment has, been approved by the division.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19872. (a) If at any time the division denies a license to an individual owner of any security issued by a corporation that applies for or holds an owner license, the owner of the security shall immediately offer the security to the issuing corporation for purchase. The corporation shall purchase the security so offered, for cash in an



amount not greater than fair market value, within 30 calendar days after the date of the offer.

(b) Beginning upon the date when the division serves notice of the denial upon the corporation, it is unlawful for the denied security owner to do any of the following:

(1) Receive any dividend or interest upon any security described in subdivision (a).

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by any security described in subdivision (a).

(3) Receive any remuneration in any form from the corporation for services rendered or for any other purpose.

(c) Every security issued by a corporate owner licensee shall bear a statement, on both sides of the certificate evidencing the security, of the restrictions imposed by this section.

(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19873. (a) To the extent required by this chapter, officers and directors, shareholders, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a corporate owner licensee shall be licensed individually. The corporation shall require these persons to apply for a gambling license, and shall notify the division of every change of corporate officers, directors, or key employees within 10 business days after the change. An officer, director, or key employee who is required to apply for a license shall apply for the license within 30 calendar days after he or she becomes an officer, director, or key employee.

(b) The corporation shall immediately remove any officer or director required to apply for a license from any office or directorship if any of the following apply to that officer or director:



(1) He or she fails to apply for the license within 30 calendar days after becoming an officer or director.

(2) He or she is denied a license.

(3) His or her license is revoked.

(c) If the license of any officer or director is suspended, the corporation, immediately and for the duration of the suspension, shall suspend that officer or director.

(d) If any shareholder who is required to apply for a gambling license fails to apply for the license within the time required, the shareholder shall be deemed to have been denied a license for purposes of subdivision (b) of Section 19872.

(e) If any person, other than an officer, director, or shareholder, who is required to apply for a gambling license fails to do so, the failure may be deemed to be a failure of the corporate owner licensee to require the application.

Article 6. Licensing of Limited Partnerships

19880. In addition to the requirements of Section 19841, in order to be eligible to receive a gambling license to own a gambling enterprise, a limited partnership shall comply with all of the following requirements:

(a) Be formed under the laws of this state.

(b) Maintain an office of the limited partnership in the gambling establishment.

(c) Comply with all of the requirements of the laws of this state pertaining to limited partnerships.

(d) Maintain a ledger in the principal office of the limited partnership in California that shall meet both of the following conditions:

(1) At all times reflects the ownership of all interests in the limited partnership.

(2) Be available for inspection by the division at all reasonable times without notice.

(e) Register with the division and supply the following supplemental information to the division:



(1) The organization, financial structure, and nature of the business to be operated, including the names, personal history, and fingerprints of all general partners and key employees, and the name, address, and interest of each limited partner.

(2) The rights, privileges, and relative priorities of limited partners as to the return of contributions to capital, and the right to receive income.

(3) The terms on which limited partnership interests are to be offered.

(4) The terms and conditions on all outstanding loans, mortgages, trust deeds, pledges, or any other indebtedness or security device.

(5) The extent of the holding in the limited partnership of all underwriters, and their remuneration as compensation for services, in the form of salary, wages, fees, or otherwise.

(6) The remuneration to persons other than general partners in excess of fifty thousand dollars (\$50,000) per annum.

(7) Bonus and profit-sharing arrangements.

(8) Management and service contracts.

(9) Options existing or to be created.

(10) Financial statements for at least three fiscal years preceding the year of registration, or, if the limited partnership has not been in existence for a period of three years, financial statements from the date of its formation. All financial statements shall be prepared in accordance with generally accepted accounting principles and audited by a licensee of the State Board of Accountancy in accordance with generally accepted auditing standards.

(11) Any further financial data that the division reasonably deems necessary or appropriate for the protection of the state.

(12) An annual profit and loss statement and an annual balance sheet, and a copy of its annual federal income tax return, within 30 calendar days after the return is filed with the Internal Revenue Service.



19881. No limited partnership is eligible to receive a license to own a gambling enterprise unless the conduct of gambling is among the purposes stated in the certificate of limited partnership.

19882. (a) The purported sale, assignment, transfer, pledge, or other disposition of any interest in a limited partnership that holds a gambling license, or the grant of an option to purchase the interest, is void unless approved in advance by the division.

(b) If at any time the division denies a license to an individual owner of any interest described in subdivision (a), the division shall immediately notify the partnership of that fact. The limited partnership, within 30 calendar days from the date it receives the notice from the division, shall return to the denied owner of the interest, in cash, the amount of his or her capital account as reflected on the books of the partnership.

(c) Beginning upon the date when the division serves a notice of denial upon the limited partnership, it is unlawful for the denied owner of the interest to do any of the following:

(1) Receive any share of the revenue or interest upon the limited partnership interest.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by that interest.

(3) Receive any remuneration in any form from the limited partnership, for services rendered or for any other purpose.

(d) Every certificate of limited partnership of any limited partnership holding a gambling license shall contain a statement of the restrictions imposed by this section.

(e) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19883. (a) To the extent required by this chapter, general partners, limited partners, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a limited partnership that holds or applies for a license to own a gambling enterprise shall be licensed individually. The limited partnership shall require these persons to apply for and obtain a gambling license. A person who is required to be licensed by this section as a general or limited partner shall not hold that position until he or she secures the required approval of the division. A person who is required to be licensed pursuant to a decision of the division shall apply for a license within 30 days after the division requests him or her to do so.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

Article 7. Restrictions on Certain Transactions

19900. (a) Except as may be provided by regulation of the division, the following security interests shall not be enforced without the prior approval of the division and compliance with regulations adopted pursuant to subdivision (b):

(1) In a security issued by a corporation that is a holder of a gambling license in this state, other than the security of a publicly traded racing association where a creditor acquires control of the security by forfeiture.

(2) In a security issued by a holding company that is not a publicly traded corporation.

(3) In a security issued by a partnership that is a holder of a gambling license in this state.

(b) The division shall adopt regulations establishing the procedure for the enforcement of a security interest. Any remedy provided by the regulations for the



enforcement of the security interest is in addition to any other remedy provided by law.

19901. It is unlawful for any person to sell, purchase, lease, hypothecate, borrow or loan money, or create a voting trust agreement or any other agreement of any sort to, or with, any licensee in connection with any controlled gambling operation licensed under this chapter or with respect to any portion of the gambling operation, except in accordance with the regulations of the division.

19902. When any person contracts to sell or lease any property or interest in property, real or personal, under circumstances that require the approval or licensing of the purchaser or lessee by the division pursuant to subdivision (a) of Section 19842, the contract shall not specify a closing date for the transaction that is earlier than the expiration of 90 calendar days after the submission of the completed application for approval for licensing. Any provision of a contract that specifies an earlier closing date is void for all purposes, but the invalidity does not affect the validity of any other provision of the contract.

19903. When any person contracts to sell or lease any property or interest in property, real or personal, under circumstances that require the approval or licensing of the purchaser or lessee by the division pursuant to subdivision (a) of Section 19842, the contract shall contain a provision satisfactory to the division regarding responsibility for the payment of any fees due pursuant to any subsequent deficiency determinations made under this chapter that shall encompass any period of time before the closing date of the transaction.

19904. The purported sale, assignment, transfer, pledge, or other disposition of any security issued by a corporation that holds a gambling license, or the grant of an option to purchase that security, is void unless approved in advance by the division.

19905. Every owner licensee that is involved in a transaction for the extension or redemption of credit by the licensee, or for the payment, receipt, or transfer of

coin, currency, or other monetary instruments, as specified by the division, in an amount, denomination, or amount and denomination, or under circumstances prescribed by regulations, and any other participant in the transaction, as specified by the division, shall, if required by regulation, make and retain a record of, or file with the division a report on, the transaction, at the time and in the manner prescribed by regulations.

19906. This article shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

Article 8. Work Permits

19910. The Legislature finds that to protect and promote the health, safety, good order, and general welfare of the inhabitants of this state, and to carry out the policy declared by this chapter, it is necessary that the division ascertain and keep itself informed of the identity, prior activities, and present location of all gambling enterprise employees and independent agents in the State of California, and when appropriate to do so, approve persons for employment in gambling establishments as provided in this article.

19910.4. No person under the age of 21 years shall be eligible for a work permit and no permit shall be issued to a person under the age of 21 years.

19910.5. (a) (1) A person shall not be employed as a gambling enterprise employee, or serve as an independent agent, except as provided in paragraph (2), unless he or she is the holder of one of the following:

(A) A valid work permit issued in accordance with the applicable ordinance or regulations of the city, county, or city and county in which his or her duties are performed.

(B) A work permit issued by the division.



(2) An independent agent is not required to hold a work permit if he or she is not a resident of this state and has registered with the division in accordance with regulations.

(b) A work permit shall not be issued by any city, county, or city and county to any person who would be disqualified from holding a state gambling license for the reasons stated in paragraphs (3) to (6), inclusive, of subdivision (a) of Section 19850.

(c) The division may object to the issuance of a work permit by a city, county, or city and county for any cause deemed reasonable by the division, and if the division objects to issuance of a work permit, the work permit shall be denied.

(1) The division shall adopt regulations specifying particular grounds for objection to issuance of, or refusal to issue, a work permit.

(2) The ordinance of any city, county, or city and county relating to issuance of work permits shall permit the division to object to the issuance of any permit.

(3) Any person whose application for a work permit has been denied because of an objection by the division may apply to the division for an evidentiary hearing in accordance with regulations.

(d) Application for a work permit for use in any jurisdiction where a locally issued work permit is not required by the licensing authority of a city, county, or city and county shall be made to the division, and may be granted or denied for any cause deemed reasonable by the division. If the division denies the application, it shall include in its notice of denial a statement of facts upon which it relied in denying the application.

(e) An order of the division denying an application for a work permit, including an order declining to issue a work permit following review pursuant to paragraph (3) of subdivision (c), is subject to the procedures described in Sections 19858, 19858.5, and 19858.7.

(f) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is



repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19911. (a) The division may issue an order summarily suspending a person's work permit, whether issued by a city, county, or city and county, or by the division, upon a finding that the suspension is necessary for the immediate preservation of the public peace, health, safety, or general welfare. The order is effective when served upon the holder of the permit.

(b) The order of summary suspension shall state facts upon which the finding of necessity for the suspension is based. For the purposes of this section, the order of summary suspension shall be deemed an accusation.

(c) An order of summary suspension shall be signed by the Attorney General or by the Chief Deputy Attorney General.

(d) The person whose work permit is summarily suspended has a right to a hearing to commence not more than 30 calendar days from the date of service of the suspension.

(e) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19912. (a) The board may revoke a work permit or, if issued by the licensing authority of a city, county, or city and county, notify the authority to revoke it, and the licensing authority shall revoke it, if the board finds, after a hearing, that a gambling enterprise employee or independent agent has failed to disclose, misstated, or otherwise misled the division with respect to any fact contained in any application for a work permit, or if the board finds that the employee or independent agent, subsequent to being issued a work permit, has done any of the following:



(1) Committed, attempted, or conspired to do any acts prohibited by this chapter.

(2) Engaged in any dishonest, fraudulent, or unfairly deceptive activities in connection with controlled gambling, or knowingly possessed or permitted to remain in or upon any premises any cards, dice, mechanical devices, or any other cheating device.

(3) Concealed or refused to disclose any material fact in any investigation by the division.

(4) Committed, attempted, or conspired to commit, any embezzlement or larceny against a gambling licensee or upon the premises of a gambling establishment.

(5) Been convicted in any jurisdiction of any offense involving or relating to gambling.

(6) Accepted employment without prior division approval in a position for which he or she could be required to be licensed under this chapter after having been denied a license or after failing to apply for licensing when requested to do so by the division.

(7) Been refused the issuance of any license, permit, or approval to engage in or be involved with gambling or parimutuel wagering in any jurisdiction, or had the license, permit, or approval revoked or suspended.

(8) Been prohibited under color of governmental authority from being present upon the premises of any licensed gambling establishment or any establishment where parimutuel wagering is conducted, for any reason relating to improper gambling activities or any illegal act.

(9) Been convicted of any felony.

(b) The board shall revoke a work permit if it finds, after hearing, that the holder thereof would be disqualified from holding a state gambling license for the reasons specified in paragraph (5) or (6) of subdivision (a) of Section 19850.

(c) Nothing in this section shall be construed to limit any powers of the division with respect to licensing.

(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted



before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19913. (a) The fee for an initial work permit issued by the division shall be not less than twenty-five dollars (\$25) or more than two hundred fifty dollars (\$250). The fee for renewal of a work permit shall be no more than twenty-five dollars (\$25).

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

Article 9. Conditions of Operation

19915. (a) It is the policy of the State of California to require that all establishments wherein controlled gambling is conducted in this state be operated in a manner suitable to protect the public health, safety, and general welfare of the residents of the state. The responsibility for the employment and maintenance of suitable methods of operation rests with the owner licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable by the division or by local government shall constitute grounds for license revocation or other disciplinary action.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19915.5. No person under the age of 21 years shall be permitted to enter upon the premises of a licensed gambling establishment, or any part thereof, except the following:



(a) An area, physically separated from any gambling area, for the exclusive purpose of dining. For purposes of this subdivision, any place wherein food or beverages are dispensed primarily by vending machines shall not constitute a place for dining.

(b) Restrooms.

(c) A supervised room, as defined by regulation, that is physically separated from any gambling area and used primarily for the purpose of entertainment or recreation.

Any area of a gambling establishment to which a person under the age of 21 years may have access under this subdivision shall have an entrance that shall not require the entrants to enter upon or pass through the gambling floor. All persons under the age of 21 years shall be restricted to the entrance specified in this subdivision.

(d) Effective January 1, 1999, no license shall be renewed with respect to a gambling establishment that is operated as of the effective date of this chapter unless the establishment has complied with this section.

19916. No owner licensee shall operate a gambling enterprise in violation of any provision of this chapter or any regulation adopted pursuant to this chapter.

19917. No owner licensee shall operate a gambling enterprise in violation of any governing local ordinance.

19918. (a) Each owner licensee shall maintain security controls over the gambling premises and all operations therein related to gambling, and those security controls are subject to the approval of the division.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

Article 9.5. Disciplinary Actions

19920. (a) The division shall make appropriate investigations as follows:

(1) Determine whether there has been any violation of this chapter or any regulations adopted thereunder.

(2) Determine any facts, conditions, practices, or matters that it may deem necessary or proper to aid in the enforcement of this chapter or any regulation adopted thereunder.

(3) Aid in adopting regulations.

(4) Secure information as a basis for recommending legislation relating to this chapter.

(b) If, after any investigation, the division is satisfied that a license, permit, finding of suitability, or approval should be suspended or revoked, it shall file an accusation with the board in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19921. (a) The division may issue any emergency orders against an owner licensee or any person involved in a transaction requiring prior approval that the division deems reasonably necessary for the immediate preservation of the public peace, health, safety, or general welfare.

(b) The emergency order shall set forth the grounds upon which it is based, including a statement of facts constituting the alleged emergency necessitating the action.

(c) The emergency order is effective immediately upon issuance and service upon the owner licensee or any agent of the licensee registered with the division for receipt of service, or, in cases involving prior approval,



upon issuance and service upon the person or entity involved, or upon an agent of that person or entity authorized to accept service of process in this state. The emergency order may suspend, limit, condition, or take other action in relation to the license of one or more persons in an operation without affecting other individual licensees, registrants, or the licensed gambling establishment. The emergency order shall remain in effect until further order of the division or final disposition of any proceeding conducted pursuant to subdivision (d).

(d) Within two calendar days after issuance of an emergency order, the division shall file an accusation with the board against the person or entity involved. Thereafter, the person or entity against whom the emergency order has been issued and served is entitled to a hearing that, if so requested, shall commence within 10 business days of the date of the request if a gambling operation is closed by the order, and in all other cases, within 30 calendar days of the date of the request. On application of the division, and for good cause shown, a court may extend the time within which a hearing is required to be commenced, upon those terms and conditions that the court deems equitable.

(e) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19922. (a) Any person aggrieved by a final decision or order of the board that limits, conditions, suspends, or revokes any previously granted license or approval, made after hearing by the board, may petition the Superior Court for the County of Sacramento for judicial review pursuant to Section 1094.5 of the Code of Civil Procedure and Section 11523 of the Government Code. Notwithstanding any other provision of law, the standard set forth in paragraph (1) of subdivision (h) of Section



1094.5 of the Code of Civil Procedure shall apply for obtaining a stay of the operation of a board order. In every case where it is claimed that the findings are not supported by the evidence, abuse of discretion is established if the court determines that the findings are not supported by substantial evidence in light of the whole record.

(b) The court may summarily deny the petition, or the court may issue an alternative writ directing the board to certify the whole record of the division in the case to the court within a time specified. No new or additional evidence shall be introduced in the court, but, if an alternative writ issues, the cause shall be heard on the whole record of the division as certified by the board.

(c) In determining the cause following issuance of an alternative writ, the court shall enter judgment affirming, modifying, or reversing the order of the board, or the court may remand the case for further proceedings before, or reconsideration by, the board.

(d) This section provides the exclusive means to review adjudicatory decisions of the board.

Article 10. Penalties

19930. Any person included on the list of persons to be excluded or ejected from a gambling establishment pursuant to this chapter is guilty of a misdemeanor if he or she thereafter knowingly enters the premises of a licensed gambling establishment.

19932. (a) A person under the age of 21 years shall not do any of the following:

(1) Play, be allowed to play, place wagers at, or collect winnings from, whether personally or through an agent, any gambling game.

(2) Loiter, or be permitted to loiter, in or about any room wherein any gambling game is operated or conducted.

(3) Be employed as an employee in a licensed gambling establishment except in a parking lot, coffee shop, restaurant, business office, or other similar room, as



determined by regulations, wherein no gambling activity or activity directly associated with gambling takes place.

(4) Present or offer to any licensee, or to an agent of a licensee, any written, printed, or photostatic evidence of age and identity that is false, fraudulent, or not actually his or her own for the purpose of doing any of the things described in paragraphs (1) to (3), inclusive.

(b) Any licensee or employee in a gambling establishment who violates or permits the violation of this section, and any person under 21 years of age who violates this section, is guilty of a misdemeanor.

(c) Proof that a licensee, or agent or employee of a licensee, demanded, was shown, and acted in reliance upon bona fide evidence of majority and identity shall be a defense to any criminal prosecution under this section or to any proceeding for the suspension or revocation of any license or work permit based thereon. For the purposes of this section, “bona fide evidence of majority and identity” means a document issued by a federal, state, county, or municipal government, or subdivision or agency thereof, including, but not limited to, a motor vehicle operator’s license or an identification card issued to a member of the armed forces, that contains the name, date of birth, description, and picture of the person.

19933. (a) Any person who willfully fails to report, pay, or truthfully account for and pay over any license fee imposed by this chapter, or willfully attempts in any manner to evade or defeat the license fee or payment thereof, shall be punished by imprisonment in a county jail, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine.

(b) Any person who willfully violates any of the provisions of this chapter for which a penalty is not expressly provided, is guilty of a misdemeanor.

19933.5. (a) Except as specified in subdivision (c), this section applies to any person or business that is engaged in controlled gambling, whether or not licensed to do so.

(b) Any person or business described in subdivision (a), with actual knowledge of the requirements of



regulations adopted by the division pursuant to subdivision (d) of Section 19834, that knowingly and willfully fails to comply with the requirements of those regulations shall be liable for a monetary penalty. The board may impose a monetary penalty for each violation. However, in the first proceeding that is initiated pursuant to this subdivision, the penalties for all violations shall not exceed a total sum of ten thousand dollars (\$10,000). If a penalty was imposed in a prior proceeding before the board, the penalties for all violations shall not exceed a total sum of twenty-five thousand dollars (\$25,000). If a penalty was imposed in two or more prior proceedings before the board, the penalties for all violations shall not exceed a total sum of one hundred thousand dollars (\$100,000).

(c) This section does not apply to any case where the person is criminally prosecuted in federal or state court for conduct related to a violation of Section 14162 of the Penal Code.

(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19934. Any person who willfully resists, prevents, impedes, or interferes with the division or the board or any of their agents or employees in the performance of duties pursuant to this chapter is guilty of a misdemeanor, punishable by imprisonment in a county jail for not more than six months, or by a fine not exceeding one thousand dollars (\$1,000), or by both that imprisonment and fine.

Article 11. Revenues

19940. (a) All fines and penalties collected pursuant to this chapter shall be deposited in a special account in the General Fund, and, upon appropriation, may be



expended by the Department of Justice to offset costs incurred pursuant to this chapter.

(b) Except as otherwise provided in subdivision (a), all fees and revenue collected pursuant to this chapter shall be deposited in the Gambling Control Fund, which is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, five million four hundred thousand dollars (\$5,400,000) of the funds deposited in the Gambling Control Fund shall be available, upon appropriation by the Legislature, to the Department of Justice each fiscal year, commencing with the 1998–99 fiscal year, for expenditure by the division and board exclusively for the support of the division and board in carrying out their duties and responsibilities under this chapter.

19941. (a) Every application for a license or approval shall be accompanied by a nonrefundable fee of five hundred dollars (\$500).

(b) All fees for issuance or renewal of a state gambling license or key employee license shall be assessed against the gambling license issued to the owner of the gambling enterprise. Except as provided in subdivision (c), the annual fee for the issuance and renewal of that gambling license shall be determined by the division pursuant to the following schedule:

(1) For a license authorizing one to five tables, inclusive, at which games are played, two hundred fifty dollars (\$250) for each table.

(2) For a license authorizing six to eight tables, inclusive, at which games are played, four hundred fifty dollars (\$450) for each table.

(3) For a license authorizing 9 to 14 tables, inclusive, at which games are played, one thousand fifty dollars (\$1,050) for each table.

(4) For a license authorizing 15 to 25 tables, inclusive, at which games are played, two thousand one hundred fifty dollars (\$2,150) for each table.

(5) For a license authorizing 26 to 70 tables, inclusive, at which games are played, three thousand two hundred dollars (\$3,200) for each table.



(6) For a license authorizing 71 or more tables at which games are played, three thousand seven hundred dollars (\$3,700) for each table.

(c) Without regard to the number of tables at which games may be played pursuant to a gambling license, if, at the time of any license renewal, it is determined that the gross revenues of an owner licensee during the licensee's previous fiscal year fell within the following ranges, the annual fee for renewal of the license shall be as follows:

(1) For a gross revenue of two hundred thousand dollars (\$200,000) to four hundred ninety-nine thousand nine hundred ninety-nine dollars (\$499,999), inclusive, the amount specified by the division pursuant to paragraph (2) of subdivision (b).

(2) For a gross revenue of five hundred thousand dollars (\$500,000) to one million nine hundred ninety-nine thousand nine hundred ninety-nine dollars (\$1,999,999), inclusive, the amount specified by the division pursuant to paragraph (3) of subdivision (b).

(3) For a gross revenue of two million dollars (\$2,000,000) to nine million nine hundred ninety-nine thousand nine hundred ninety-nine dollars (\$9,999,999), inclusive, the amount specified by the division pursuant to paragraph (4) of subdivision (b).

(4) For a gross revenue of ten million dollars (\$10,000,000) or more, the amount specified by the division pursuant to paragraph (5) of subdivision (b).

(d) Notwithstanding subdivision (c), the fee for renewal of a gambling license shall not be less than the amount specified in subdivision (b).

(e) (1) No later than July 1, 2000, the Attorney General shall review the fee schedule set forth in this section and make a recommendation to the Legislature concerning the reduction or increase in the fee amounts, if any.

(2) It is the intent of the Legislature that the revenue derived from the total of all issuance and renewal fees collected during each fiscal year not exceed five million four hundred thousand dollars (\$5,400,000). If, at the end



of any fiscal year prior to July 1, 2000, the division determines that the total of all issuance and renewal fees collected during that fiscal year exceeded the amount appropriated by the Legislature pursuant to subdivision (b) of Section 19940, the excess shall be refunded to all owner licensees within 180 calendar days after the close of the fiscal year, by way of a pro rata distribution.

(f) The division may provide for payment of the annual gambling license fee on an annual or installment basis.

(g) For the purposes of this section, each table at which a game is played constitutes a single game table.

19942. (a) The division, by regulation, shall establish fees for special licenses authorizing irregular operation of tables in excess of the total number of tables otherwise authorized to a licensed gambling establishment, for tournaments and other special events.

(b) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in paragraphs (1) to (4), inclusive, of Section 66 of the act that added this chapter, deletes or extends that date.

19944. Nothing contained in this chapter shall be deemed to restrict or limit the power of any city, county, or city and county to fix, impose, and collect a license tax.

Article 12. Local Governments

19950. This chapter shall not prohibit the enactment, amendment, or enforcement of any ordinance by any city, county, or city and county relating to licensed gambling establishments that is not inconsistent with this chapter. On and after the effective date of this chapter, no city, county, or city and county shall issue a gambling license with respect to any gambling establishment unless one of the following is true:

(a) The gambling establishment is located in a city, county, or city and county wherein, after January 1, 1984,

an ordinance was adopted by the electors of the city, county, or city and county, in an election conducted pursuant to former Section 19819 of the Business and Professions Code, as that section read immediately before its repeal by the act that enacted this chapter.

(b) The gambling establishment is located in a city, county, or city and county wherein, prior to January 1, 1984, there was in effect an ordinance that expressly authorized the operation of one or more cardrooms.

(c) After the effective date of this chapter, a majority of the electors voting thereon affirmatively approve a measure permitting controlled gambling within that city, county, or city and county.

(1) The measure to permit controlled gambling shall appear on the ballot in substantially the following form:

“Shall licensed gambling establishments in which any controlled games permitted by law, such as draw poker, low-ball poker, panguine (pan), seven-card stud, or other lawful card games or tile games, are played, be allowed in ____? Yes ____ No ____.”

(2) In addition, the initial implementing ordinances shall be drafted and appear in full on the sample ballot and shall set forth at least all of the following:

(A) The hours of operation.

(B) The games to be played.

(C) The wagering limits.

(D) The maximum number of gambling establishments permitted by the ordinance.

(E) The maximum number of tables permitted in each gambling establishment.

19950.1. (a) On or after the effective date of this chapter, any amendment to any ordinance that would result in an expansion of gambling in the city, county, or city and county, shall not be valid unless the amendment is submitted for approval to the voters of the city, county, or city and county, and is approved by a majority of the electors voting thereon. An ordinance may be amended without the approval of the electors one time on or after



the effective date of this chapter to expand gambling by a change that results in an increase of less than 25 percent with respect to any of the matters set forth in paragraphs (1), (2), (3), (5), and (6) of subdivision (b). Thereafter, any additional expansion shall be approved by a majority of the electors voting thereon. This subdivision does not apply to a licensed gambling establishment with five or fewer tables.

(b) For the purposes of this section, “expansion of gambling” means, when compared to that authorized on January 1, 1996, or under an ordinance adopted pursuant to subdivision (a) of Section 19851, whichever is the lesser number, a change that results in any of the following:

(1) An increase of 25 percent or more in the number of gambling tables in the city, county, or city and county.

(2) An increase of 25 percent or more in the number of licensed card rooms in the city, county, or city and county.

(3) An increase of 25 percent or more in the number of gambling tables that may be operated in a gambling establishment in the city, county, or city and county.

(4) The authorization of any additional form of gambling, other than card games, that may be legally played in this state, to be played at a gambling establishment in the city, county, or city and county.

(5) An increase of 25 percent or more in the hours of operation of a gambling establishment in the city, county, or city and county.

(6) An increase of 25 percent or more in the maximum amount permitted to be wagered in a game.

(c) The measure to expand gambling shall appear on the ballot in substantially the following form:

“Shall gambling be expanded in ____ beyond that operated or authorized on January 1, 1996, by ____ (describe expansion)? Yes ____ No ____.”

19950.2. (a) On and after the effective date of this chapter, neither the governing body nor the electors of a county, city, or city and county that has not authorized



legal gaming within its boundaries prior to January 1, 1996, shall authorize legal gaming.

(b) No ordinance in effect on January 1, 1996, that authorizes legal gaming within a city, county, or city and county may be amended to expand gaming in that jurisdiction beyond that permitted on January 1, 1996.

(c) This section shall remain in effect only until January 1, 2001, and as of that date is repealed.

19951. No city, county, or city and county may grant, or permit to continue in effect, a license to deal, operate, carry on, conduct, maintain, or expose for play any controlled game to any applicant or holder of a local license unless the applicant or local licensee is an owner licensee as defined in this chapter. However, the issuance of a state gambling license to a person imposes no requirements upon the city, county, or city and county to issue a license to the person.

Article 13. Miscellaneous Provisions

19956. If any clause, sentence, paragraph, or part of this chapter, for any reason, is adjudged by a court of competent jurisdiction to be invalid, that judgment shall not affect, impair, or invalidate the remainder of this chapter and the application thereof to other persons or circumstances, but shall be confined to the operation of the clause, sentence, paragraph, or part thereof directly involved in the controversy in which the judgment was rendered and to the person or circumstances involved.

19957. This act is an exercise of the police power of the state for the protection of the health, safety, and welfare of the people of the State of California, and shall be liberally construed to effectuate those purposes.

19958. For the purposes of Section 3482 of the Civil Code, the issuance of a state gambling license shall not be construed to authorize any conduct or activity other than the conduct of controlled gambling.



Article 14. Additional Restrictions Related to Fair
Elections and Corruption of Regulators

19959. (a) The Legislature finds and declares that there is a compelling governmental interest in ensuring that elections conducted pursuant to Section 19950 are conducted fairly and that electors in those elections are presented with fair and balanced arguments in support of and in opposition to the existence of gambling establishments. Large contributions by gambling operators or prospective gambling operators who will be financially interested in the outcome of the election often unfairly distort the context in which those elections take place.

(b) In California, in other states, and in other countries, there is ample historical evidence of the potential for revenues derived from gambling to be used to corrupt political officials in the regulation or prosecution of crimes related to gambling activities, embezzlement, and money laundering.

(c) This article is an exercise of the police power of the state for the protection of the health, safety, and welfare of the people of this state.

19959.5. (a) A member of the board, the executive secretary of the board, the director of the division, and any employee designated by regulation of the division for purposes of this section, shall not, for a period of three years after leaving office or terminating employment, for compensation, act as agent or attorney for, or otherwise represent, any other person by making any formal or informal appearance, or by making any oral or written communication, before the board or the division, or any officer or employee thereof, if the appearance or communication is for the purpose of influencing administrative action, or influencing any action or proceeding involving the issuance, amendment, awarding, or revocation of a permit, license, or approval.

(b) A member of the board shall not solicit or accept campaign contributions from any person, including any applicant or licensee.

(c) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19960.2. (a) The division shall, by regulation, provide for the denial, suspension, or revocation of an application or license for the knowing and willful violation of any law or ordinance committed after January 1, 1998, and within three years prior to the submission of the license or renewal application, or any time thereafter, with respect to campaign finance disclosure or contribution limitations applicable to an election that is conducted pursuant to Section 19950.

(1) The remedies specified herein are in addition to any other remedy or penalty provided by law.

(2) Any final determination by the Fair Political Practices Commission that the applicant did not violate any provision of state law within its jurisdiction shall be binding on the division.

(3) Any final determination by a city or county governmental body having ultimate jurisdiction over the matter that the applicant did not violate an ordinance with respect to campaign finance disclosure or contribution limitations applicable to an election conducted pursuant to Section 19950 shall be binding on the division.

(b) Every applicant for a gambling license, or any renewal thereof, shall file with the division, at the time the license application or renewal is filed, the following information:

(1) Any statement or other document required to be filed with the Fair Political Practices Commission relative to an election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.



(2) Any statement or other document required to be filed with any local jurisdiction respecting campaign finance disclosure or contribution limitations applicable to an election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(3) A report of any contribution of money or thing of value, in excess of one hundred dollars (\$100), made to any committee, as defined by Section 82013 of the Government Code, associated with any election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(4) A report of any other significant involvement by the applicant or licensee in an election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(c) The division shall adopt regulations to implement this section.

(d) This section shall remain in effect only until the occurrence of one of the events specified in Section 66 of the act that added this chapter, and as of that date is repealed, unless a later enacted statute, which is enacted before the occurrence of one of the events specified in Section 66 of the act that added this chapter, deletes or extends that date.

19960.4. It is the intent of the Legislature that if any provision of this article is adjudged by a court to be invalid because of any conflict or inconsistency with the Political Reform Act of 1974 (Title 9 (commencing with Section 81000) of the Government Code), as amended, that judgment shall not affect, impair, or invalidate any other provision of this chapter and the application thereof to other persons or circumstances, but shall be confined to the operation of the clause, sentence, paragraph, or part

thereof directly involved in the controversy in which the judgment was rendered and to the person or circumstances involved.

SEC. 4. Section 19810A is added to the Business and Professions Code, to read:

19810A. (a) There is in state government the California Gambling Control Commission, consisting of five members appointed by the Governor, subject to confirmation by the Senate. On the effective date of this section, the California Gambling Control Commission shall succeed to all of the powers of the California Gambling Control Board, which is hereby abolished. Wherever in this chapter reference is made to the board, it shall be construed to mean the commission.

(b) Jurisdiction, including jurisdiction over operation and concentration, and supervision over gambling establishments in this state and over all persons or things having to do with the operations of gambling establishments is vested in the commission.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 5. Section 19811A is added to the Business and Professions Code, to read:

19811A. (a) Each member of the commission shall be a citizen of the United States and a resident of this state.

(b) No Member of the Legislature, no person holding any elective office in state, county, or local government, and no officer or official of any political party is eligible for appointment to the commission.

(c) No more than three of the five members of the commission shall be members of the same political party.

(d) A person is ineligible for appointment to the commission if, within two years prior to appointment, the person, or any partnership or corporation in which the person is a principal, was employed by, retained by, or derived substantial income from, any gambling establishment. For the purposes of this subdivision, “gambling establishment” means one or more rooms



wherein any gaming within the meaning of Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code, or any controlled game within the meaning of Section 337j of the Penal Code, is conducted, whether or not the activity occurred in California.

(e) One member of the commission shall be a certified public accountant with auditing experience, one member shall be an attorney and a member of the State Bar of California with regulatory law experience, one member shall have a background in law enforcement and criminal investigation, one member shall have a background in business with at least five years of business experience, and one member shall be from the public at large.

(f) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 6. Section 19812A is added to the Business and Professions Code, to read:

19812A. (a) Of the members initially appointed, two shall be appointed for a term of two years, two shall be appointed for a term of three years, and one shall be appointed for a term of four years. After the initial terms, the term of office of each member of the board is four years.

(b) The Governor shall appoint the members of the commission, subject to confirmation by the Senate, and shall designate one member to serve as chairperson. The initial appointments shall be made within three months of the operative date of this section. Thereafter, vacancies shall be filled within 60 days of the date of the vacancy by the Governor, subject to confirmation by the Senate.

(c) The Governor may remove any member of the commission for incompetence, neglect of duty, or corruption upon first giving him or her a copy of the charges and an opportunity to be heard.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 7. Section 19813A is added to the Business and Professions Code, to read:

19813A. (a) During their terms of office, the members of the commission shall not engage in any other business, vocation, or employment.

(b) Before entering upon the duties of his or her office, the director and each member of the commission shall subscribe to the constitutional oath of office and, in addition, swear that he or she is not, and during his or her term of office shall not be, pecuniarily interested in, or doing business with, any person, business, or organization holding a gambling license.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 8. Section 19814A is added to the Business and Professions Code, to read:

19814A. (a) The director and the members of the commission shall receive the salary provided for by Section 11553.5 of the Government Code.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 9. Section 19815.5A is added to the Business and Professions Code, to read:

19815.5A. (a) The commission shall establish and appoint a Gaming Policy Advisory Committee of 10 members. The committee shall be composed of representatives of controlled gambling licensees and members of the general public in equal numbers. The executive secretary shall, from time to time, convene the committee for the purpose of discussing matters of controlled gambling regulatory policy and any other relevant gambling-related issue. The recommendations concerning gambling policy made by the committee shall be presented to the commission, but shall be deemed advisory and not binding on the commission in the performance of its duties or functions.



(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 10. Section 19815.8A is added to the Business and Professions Code, to read:

19815.8A. (a) The commission shall investigate the following matters:

(1) The consequences, benefits, and disadvantages of imposing a state tax on revenue generated by licensed gambling establishments.

(2) Regulation of advertising for the purpose of limiting exposure of children to materials promoting gambling.

(b) The commission shall report its findings to the Legislature and the Governor no later than January 1, 2000.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 11. Section 19817A is added to the Business and Professions Code, to read:

19817A. (a) The commission shall establish and maintain a general office for the transaction of its business in Sacramento. The commission may hold meetings at any place within the state when the interests of the public may be better served.

(b) A public record of every vote shall be maintained at the commission's general office.

(c) A majority of the membership of the commission is a quorum of the commission. The concurring vote of three members of the commission shall be required for any official action of the commission or for the exercise of any of the commission's duties, powers, or functions.

(d) Except as otherwise provided in this chapter, Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code applies to meetings of the commission. Notwithstanding Section 11125.1 of the Government Code, documents,

which are filed with the commission by the division for the purpose of evaluating the qualifications of an applicant, are exempt from disclosure under Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

(e) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 12. Section 19820A is added to the Business and Professions Code, to read:

19820A. (a) The commission shall cause to be made and kept a record of all proceedings at regular and special meetings of the commission. These records shall be open to public inspection.

(b) The commission shall maintain a file of all applications for licenses under this chapter, together with a record of all actions taken with respect to those applications. The file and record shall be open to public inspection.

(c) The division and commission may maintain any other files and records as they deem appropriate. Except as provided in this chapter, the records of the division and commission are exempt from disclosure from Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 of the Government Code.

(d) Except as necessary for the administration of this chapter, no commissioner and no official, employee, or agent of the commission or the division, having obtained access to confidential records or information in the performance of duties pursuant to this chapter, shall knowingly disclose or furnish the records or information, or any part thereof, to any person who is not authorized by law to receive it. A violation of this subdivision is a misdemeanor.

(e) Notwithstanding subdivision (k) of Section 1798.24 of the Civil Code, a court shall not compel disclosure of personal information in the possession of the division or the commission to any person in any civil proceeding wherein the division or the commission is not a party,



except for good cause and upon a showing that the information cannot otherwise be obtained. Nothing herein shall be construed to authorize the disclosure of personal information that would otherwise be exempt from disclosure.

(f) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 13. Section 19821A is added to the Business and Professions Code, to read:

19821A. (a) All files, records, reports, and other information in possession of any state or local governmental agency that are relevant to an investigation by the division conducted pursuant to this chapter shall be made available to the division as requested. However, any tax information received from a governmental agency shall be used solely for effectuating the purposes of this chapter. To the extent that the files, records, reports, or information described in this section are confidential or otherwise privileged from disclosure under any law or exercise of discretion, they shall not lose that confidential or privileged status for having been disclosed to the division.

(b) All files, records, reports, and other information pertaining to gambling matters in the possession of the division shall be open at all times to inspection by the members of the commission.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 14. Section 19822A is added to the Business and Professions Code, to read:

19822A. (a) The responsibilities of the commission include, without limitation, all of the following:

(1) Assuring that licenses, approvals, and permits are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in



a manner that is inimical to the public health, safety, or welfare.

(2) Assuring that there is no material involvement, directly or indirectly, with a licensed gambling operation, or the ownership or management thereof, by unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(b) For the purposes of this section, “unqualified person” means a person who is found to be unqualified pursuant to the criteria set forth in Section 19848, and “disqualified person” means a person who is found to be disqualified pursuant to the criteria set forth in Section 19850.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 15. Section 19823A is added to the Business and Professions Code, to read:

19823A. (a) The commission shall have all powers necessary and proper to enable it fully and effectually to carry out the policies and purposes of this chapter, including, without limitation, the power to do all of the following:

(1) Require any person to apply for a license or approval as specified in this chapter.

(2) For any cause deemed reasonable by the commission, deny any application for a license, permit, or approval provided for in this chapter, limit, condition, or restrict any such license, permit, or approval, or impose any fine upon any person licensed or approved.

(3) Approve or disapprove transactions, events, and processes as provided in this chapter.

(4) Take actions deemed to be reasonable to ensure that no ineligible, unqualified, disqualified, or unsuitable persons are associated with controlled gambling activities.



(5) Take actions deemed to be reasonable to ensure that gambling activities take place only in suitable locations.

(6) Grant temporary licenses or approvals on appropriate terms and conditions.

(7) Institute a civil action in any superior court against any person subject to this chapter to restrain a violation of this chapter. An action brought against a person pursuant to this section does not preclude a criminal action or administrative proceeding against that person by the Attorney General or any district attorney or city attorney.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 16. Section 19824A is added to the Business and Professions Code, to read:

19824A. The division shall have all of the following responsibilities:

(a) To investigate the qualifications of applicants before any license is issued, and to investigate any request to the commission for any approval or permission that may be required pursuant to this chapter. The division may recommend the denial or the limitation, conditioning, or restriction of any license, approval, or permission.

(b) To monitor the conduct of all licensees and other persons having a material involvement, directly or indirectly, with a gambling operation or its holding company, for the purpose of ensuring that licenses are not issued or held by, and that there is no direct or indirect material involvement with, a gambling operation or holding company by ineligible, unqualified, disqualified, or unsuitable persons, or persons whose operations are conducted in a manner that is inimical to the public health, safety, or welfare.

(c) To investigate suspected violations of this chapter or laws of this state relating to gambling, including any activity prohibited by Chapter 9 (commencing with



Section 319) or Chapter 10 (commencing with Section 330) of Title 9 of Part 1 of the Penal Code.

(d) To investigate complaints that are lodged against licensees, or other persons associated with a gambling operation, by members of the public.

(e) To initiate, where appropriate, disciplinary actions as provided in this chapter. In connection with any disciplinary action, the division may seek restriction, limitation, suspension, or revocation of any license or approval, or the imposition of any fine upon any person licensed or approved.

(f) To adopt regulations reasonably related to its functions and duties as specified in this chapter.

(g) Approve the play of any controlled game, including placing restrictions and limitations on how a controlled game may be played.

(h) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 17. Article 3 (commencing with Section 19830A) is added to Chapter 5 of Division 8 of the Business and Professions Code, to read:

Article 3. Regulations

19830A. (a) The commission may adopt regulations for the administration and enforcement of this chapter. To the extent appropriate, regulations of the commission and the division shall take into consideration the operational differences of large and small establishments.

(b) Subject to subdivision (d), Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code does not apply to the following regulations of the commission, if adopted within 90 days after the effective date of this chapter:

(1) Regulations described in subdivisions (a), (b), (e), (g), (h), (i) to (n), inclusive, (p), and (q) of Section 19834A.



(2) Regulations adopted for the purpose of implementing Section 62 of the act that enacted this chapter.

(c) Any regulation adopted pursuant to subdivision (b) shall be filed with the Secretary of State and shall be effective immediately upon that filing.

(d) Except as otherwise provided in this subdivision, no regulation adopted pursuant to subdivision (b) shall be valid after September 1, 1998, unless the regulation has been subsequently readopted by the division in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code, subject to all of the following:

(1) This subdivision does not apply to a regulation that is exempted from Article 5 (commencing with Section 11346) of Chapter 3.5 of Division 3 of Title 2 of the Government Code, by operation of subdivision (a) of Section 11346.1 of the Government Code.

(2) If, prior to September 1, 1998, the division has mailed a notice described in Section 11346.4 of the Government Code with respect to a regulation adopted pursuant to subdivision (b), the regulation shall not cease to be effective pursuant to this subdivision until the earlier of one of the following events:

(A) The readopted regulation is filed with the Secretary of State pursuant to subdivision (a) of Section 11349.3, or subdivision (e) of Section 11349.5, of the Government Code.

(B) The readopted regulation has been disapproved by the Office of Administrative Law and the time within which a request for review may be filed pursuant to Section 11349.5 of the Government Code has expired.

(C) The readopted regulation is disapproved by the Office of Administrative Law, and the Governor transmits a decision pursuant to subdivision (c) of Section 11349.5 of the Government Code affirming the disapproval.

19834A. The regulations adopted by the commission shall do all of the following:



(a) With respect to applications, registrations, investigations, and fees, the regulations shall include, but not be limited to, provisions that do all of the following:

(1) Prescribe the method and form of application and registration.

(2) Prescribe the information to be furnished by any applicant, licensee, or registrant concerning, as appropriate, the person's personal history, habits, character, associates, criminal record, business activities, organizational structure, and financial affairs, past or present.

(3) Prescribe the information to be furnished by an owner licensee relating to the licensee's gambling employees.

(4) Require fingerprinting or other methods of identification of an applicant, licensee, or employee of a licensee.

(5) Prescribe the manner and method of collection and payment of fees and issuance of licenses.

(b) Provide for the approval of game rules and equipment by the division to ensure fairness to the public and compliance with state laws.

(c) Implement the provisions of this chapter relating to licensing.

(d) Require owner licensees to report and keep records of transactions, as determined by the division, involving cash or credit. The regulations may include, without limitation, regulations requiring owner licensees to file with the division reports similar to those required by Sections 5313 and 5314 of Title 31 of the United States Code, and by Sections 103.22 and 103.23 of Title 31 of the Code of Federal Regulations, and any successor provisions thereto, from financial institutions, as defined in Section 5312 of Title 31 of the United States Code and Section 103.11 of Title 31 of the Code of Federal Regulations, and any successor provisions.

(e) Provide for the receipt of protests and written comments on an application by public agencies, public officials, local governing bodies, or residents of the



location of the gambling establishment or future gambling establishment.

(f) Provide for the disapproval of advertising by licensed gambling establishments that is determined by the division to be deceptive to the public. Regulations adopted by the division for advertising by licensed gambling establishments shall be consistent with the advertising regulations adopted by the California Horse Racing Board and the Lottery Commission. Advertisement that appeals to children or adolescents or that offers gambling as a means of becoming wealthy is presumptively deceptive.

(g) Govern all of the following:

(1) The extension of credit.

(2) The cashing, deposit, and redemption of checks or other negotiable instruments.

(3) The verification of identification in monetary transactions.

(h) Prescribe minimum procedures for adoption by owner licensees to exercise effective control over their internal fiscal and gambling affairs, which shall include, but not be limited to, provisions for all of the following:

(1) The safeguarding of assets and revenues, including the recording of cash and evidences of indebtedness.

(2) Prescribing the manner in which compensation from games and gross revenue shall be computed and reported by an owner licensee.

(3) The provision of reliable records, accounts, and reports of transactions, operations, and events, including reports to the division.

(i) Provide for the adoption and use of internal audits, whether by qualified internal auditors or by certified public accountants. As used in this subdivision, “internal audit” means a type of control that operates through the testing and evaluation of other controls and that is also directed toward observing proper compliance with the minimum standards of control prescribed in subdivision (h).

(j) Require periodic financial reports from each owner licensee.

(k) Specify standard forms for reporting financial conditions, results of operations, and other relevant financial information.

(l) Formulate a uniform code of accounts and accounting classifications to ensure consistency, comparability, and effective disclosure of financial information.

(m) Prescribe intervals at which the information in subdivisions (j) and (k) shall be furnished to the division.

(n) Require audits to be conducted, in accordance with generally accepted auditing standards, of the financial statements of all owner licensees whose annual gross revenues equal or exceed a specified sum. However, nothing herein shall be construed to limit the division's authority to require audits of any owner licensee. Audits, compilations, and reviews provided for in this subdivision shall be made by independent certified public accountants licensed to practice in this state.

(o) Restrict, limit, or otherwise regulate any activity that is related to the conduct of controlled gambling, consistent with the purposes of this chapter.

(p) Define and limit the area, games, hours of operation, number of tables, wagering limits, and equipment permitted, or the method of operation of games and equipment, if the division determines that local regulation of these subjects is insufficient to protect the health, safety, or welfare of residents in geographical areas proximate to a gambling establishment.

(q) Prohibit gambling establishments from cashing checks drawn against any federal, state, or county fund, including, but not limited to, social security, unemployment insurance, disability payments, or public assistance payments. However, a gambling establishment shall not be prohibited from cashing any payroll checks or checks for the delivery of goods or services that are drawn against a federal, state, or county fund.

(r) Provide for standards, specifications, and procedures governing the manufacture, distribution, including the sale and leasing, inspection, testing, location, operation, repair, and storage of gambling



equipment, and for the licensing of persons engaged in the business of manufacturing, distributing, including the sale and leasing, inspection, testing, repair, and storage of gambling equipment.

19834.5A. (a) The commission shall not prohibit, on a statewide basis, the play of any game or restrict the manner in which any game is played, unless the commission, in a proceeding pursuant to this article, finds that the game, or the manner in which the game is played, violates a law of the United States, a law of this state, or a local ordinance.

(b) Nothing in this section shall be construed to limit the powers of the commission in a proceeding against a licensee pursuant to Article 9.5 (commencing with Section 19920A).

(c) No regulation prohibiting a game or the manner in which a game is played shall be deemed to be an emergency regulation.

19834.6A. The commission shall not prohibit, on a statewide basis, the placing of a wager on a controlled game by a person at a gaming table, if the person is present at the table and actively participating in the hand with a single-seated player upon whose hand the wagers are placed.

19835A. (a) The commission shall, by regulation, provide for the formulation of a list of persons who are to be excluded or ejected from any gambling establishment. The list may include any person whose presence in the establishment is determined by the commission to pose a threat to the interests of this state or to controlled gambling, or both.

(b) In making the determination described in subdivision (a), the commission may consider, but is not limited to considering, any of the following:

(1) Prior conviction of a crime that is a felony in this state or under the laws of the United States, a crime involving moral turpitude, or a violation of the gambling laws of this or any other state.

(2) The violation of, or conspiracy to violate, the provisions of this chapter relating to the failure to disclose



an interest in a gambling establishment for which the person is required to obtain a license, or the willful evasion of fees.

(3) A notorious or unsavory reputation that would adversely affect public confidence and trust that the gambling industry is free from criminal or corruptive elements.

(4) An order of exclusion or ejection from a racing inclosure issued by the California Horse Racing Board.

(c) The commission shall distribute the list of persons who are to be excluded or ejected from any gambling establishment to all owner licensees and shall provide notice to any persons included on the list.

(d) The commission shall adopt regulations establishing procedures for hearing of petitions by persons who are ejected or excluded from licensed premises pursuant to this section or pursuant to Section 19835.5A.

(e) The commission may revoke, limit, condition, or suspend the license of an owner, or fine an owner licensee, if that licensee knowingly fails to exclude or eject from the gambling establishment of that licensee any person included on the list of persons to be excluded or ejected.

19835.5A. (a) A licensee may remove from his or her licensed premises any person who, while on the premises:

(1) Is a disorderly person, as defined by Section 647 of the Penal Code.

(2) Interferes with a lawful gambling operation.

(3) Solicits or engages in any act of prostitution.

(4) Beggars, is boisterous, or is otherwise offensive to other persons.

(5) Commits any public offense.

(6) Is intoxicated.

(7) Is a person who the commission, by regulation, has determined should be excluded from licensed gambling establishments in the public interest.

(b) Nothing in this section shall be deemed, expressly or impliedly, to preclude a licensee from exercising the right to deny access to or to remove any person from its



premises or property for any reason the licensee deems appropriate.

19836A. This article shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 18. Section 19841A is added to the Business and Professions Code, to read:

19841A. (a) An owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless each of the following persons individually applies for and obtains a state gambling license:

(1) If the owner is a corporation, then each officer, director, and shareholder, other than a holding or intermediary company, of the owner. The foregoing does not apply to an owner that is either a publicly traded racing association or a qualified racing association.

(2) If the owner is a publicly traded racing association, then each officer, director, and owner, other than an institutional investor, of five percent or more of the outstanding shares of the publicly traded corporation.

(3) If the owner is a qualified racing association, then each officer, director, and shareholder, other than an institutional investor, of the subsidiary corporation and any owner, other than an institutional investor, of five percent or more of the outstanding shares of the publicly traded corporation.

(4) If the owner is a partnership, then every general and limited partner of, and every trustee or person, other than a holding or intermediary company, having or acquiring a direct or beneficial interest in, that partnership owner.

(5) If the owner is a trust, then the trustee, every beneficiary, and, in the discretion of the commission, the trustor of the trust.

(6) If the owner is a business organization other than a corporation, partnership, or trust, then all those persons as the commission may require, consistent with this chapter.

(7) Each person, other than a landlord, who receives, or is to receive, any percentage share of the revenue earned by the owner from gambling activities.

(8) Every employee, agent, guardian, personal representative, lender, or holder of indebtedness of the owner who, in the judgment of the commission, has the power to exercise a significant influence over the gambling operation.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 19. Section 19842A is added to the Business and Professions Code, to read:

19842A. (a) The commission, by regulation or order, may require that the following persons register with the commission, apply for a finding of suitability, or apply for a gambling license:

(1) Any person who furnishes any services or any property to a gambling enterprise under any arrangement whereby that person receives payments based on earnings, profits, or receipts from controlled gambling.

(2) Any person who owns an interest in the premises of a licensed gambling establishment or in real property used by a licensed gambling establishment.

(3) Any person who does business on the premises of a licensed gambling establishment.

(4) Any person who is an independent agent of, or does business with, a gambling enterprise as a ticket purveyor, a tour operator, the operator of a bus program, or the operator of any other type of travel program or promotion operated with respect to a licensed gambling establishment.

(5) Any person who provides any goods or services to a gambling enterprise for compensation that the commission finds to be grossly disproportionate to the value of the goods or services provided.



(6) Every person who, in the judgment of the commission, has the power to exercise a significant influence over the gambling operation.

(b) If a publicly traded corporation is engaged in activities described in paragraphs (2), (3), and (4) of subdivision (a), the division may require the corporation and the following other persons to apply for and obtain a license or finding of suitability:

(1) Any officer or director.

(2) Any owner, other than an institutional investor, of five percent or more of the outstanding shares of the corporation.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 20. Section 19846A is added to the Business and Professions Code, to read:

19846A. (a) Every person who, by statute or regulation, is required to hold a state license shall obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required. Every person who, by order of the commission, is required to apply for a gambling license or a finding of suitability shall file the application within 30 calendar days after receipt of the order.

(b) This section shall become operative on the occurrence of one of the events specified in paragraphs (1) to (4), inclusive, of Section 66 of the act that added this section to the Business and Professions Code.

SEC. 21. Section 19847A is added to the Business and Professions Code, to read:

19847A. (a) Any person who the commission determines is qualified to receive a state license, having due consideration for the proper protection of the health, safety, and general welfare of the residents of the State of California and the declared policy of this state, may be issued a license. The burden of proving his or her qualifications to receive any license is on the applicant.

(b) An application to receive a license constitutes a request for a determination of the applicant's general character, integrity, and ability to participate in, engage in, or be associated with, controlled gambling.

(c) In reviewing an application for any license, the commission shall consider whether issuance of the license is inimical to public health, safety, or welfare, and whether issuance of the license will undermine public trust that the gambling operations with respect to which the license would be issued are free from criminal and dishonest elements and would be conducted honestly.

(d) This section shall become operative on the occurrence of one of the events specified in paragraphs (1) to (4), inclusive, of Section 66 of the act that added this section to the Business and Professions Code.

SEC. 22. Section 19848A is added to the Business and Professions Code, to read:

19848A. No gambling license shall be issued unless, based on all of the information and documents submitted, the commission is satisfied that the applicant is all of the following:

(a) A person of good character, honesty, and integrity.

(b) A person whose prior activities, criminal record, if any, reputation, habits, and associations do not pose a threat to the public interest of this state, or to the effective regulation and control of controlled gambling, or create or enhance the dangers of unsuitable, unfair, or illegal practices, methods, and activities in the conduct of controlled gambling or in the carrying on of the business and financial arrangements incidental thereto.

(c) A person that is in all other respects qualified to be licensed as provided in this chapter.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 23. Section 19850A is added to the Business and Professions Code, to read:



19850A. (a) The commission shall deny a license to any applicant who is disqualified for any of the following reasons:

(1) Failure of the applicant to clearly establish eligibility and qualification in accordance with this chapter.

(2) Failure of the applicant to provide information, documentation, and assurances required by this chapter or requested by the director, or failure of the applicant to reveal any fact material to qualification, or the supplying of information that is untrue or misleading as to a material fact pertaining to the qualification criteria.

(3) Conviction of the applicant for any crime punishable as a felony.

(4) Conviction of the applicant for any misdemeanor involving dishonesty or moral turpitude within the 10-year period immediately preceding the submission of the application, unless the applicant has been granted relief pursuant to Section 1203.4, 1203.4a, or 1203.45 of the Penal Code.

(5) Association of the applicant with criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(6) Contumacious defiance by the applicant of any legislative investigatory body, or other official investigatory body of any state or of the United States, when that body is engaged in the investigation of crimes relating to gambling; official corruption related to gambling activities; or criminal profiteering activity or organized crime, as defined by Section 186.2 of the Penal Code.

(7) The applicant is less than 21 years of age.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 24. Section 19851A is added to the Business and Professions Code, to read:

19851A. (a) The commission shall deny a gambling license with respect to any gambling establishment that



is located in a city, county, or city and county that does not have an ordinance governing all of the following matters:

(1) The hours of operation of gambling establishments.

(2) Patron security and safety in and around the gambling establishments.

(3) The location of gambling establishments.

(4) Wagering limits in gambling establishments.

(5) The number of gambling tables in each gambling establishment and in the jurisdiction.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 25. Section 19852A is added to the Business and Professions Code, to read:

19852A. (a) In addition to other grounds stated in this chapter, the commission shall consider denying a gambling license for any of the following reasons:

(1) If issuance of the license with respect to the proposed gambling establishment or expansion would tend unduly to create law enforcement problems in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's premises.

(2) If an applicant fails to conduct an economic feasibility study that demonstrates to the satisfaction of the commission that the proposed gambling establishment will be economically viable, and that the owners have sufficient resources to make the gambling establishment successful. The commission shall hold a public hearing for the purpose of reviewing the feasibility study.

(3) If issuance of the license is sought in respect to a new gambling establishment, or the expansion of an existing gambling establishment, that is to be located or is located near an existing school, an existing building used primarily as a place of worship, an existing playground or other area of juvenile congregation, an existing hospital, convalescence facility, or near another



similarly unsuitable area, as determined by regulation of the commission, which is located in a city, county, or city and county other than the city, county, or city and county that has regulatory jurisdiction over the applicant's gambling premises.

(b) For the purposes of this section, "expansion" means an increase of 25 percent or more in the number of authorized gambling tables in a gambling establishment, based on the number of gambling tables for which a license was initially issued pursuant to this chapter.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 26. Section 19853A is added to the Business and Professions Code, to read:

19853A. (a) Application for a state license or other commission action shall be made on forms furnished by the commission.

(b) The application for a gambling license shall include all of the following:

(1) The name of the proposed licensee.

(2) The name and location of the proposed gambling establishment.

(3) The gambling games proposed to be conducted.

(4) The names of all persons directly or indirectly interested in the business and the nature of the interest.

(5) A description of the proposed gambling establishment and operation.

(6) Any other information and details the commission may require in order to discharge its duty properly.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 27. Section 19854A is added to the Business and Professions Code, to read:

19854A. (a) An applicant for licensing or for any approval or consent required by this chapter, shall make

full and true disclosure of all information to the division and the commission as necessary to carry out the policies of this state relating to licensing, registration, and control of gambling.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 28. Section 19856A is added to the Business and Professions Code, to read:

19856A. (a) Within a reasonable time after the filing of an application and any supplemental information the division may require, and the deposit of any fee required pursuant to Section 19855, the division shall commence its investigation of the applicant and, for that purpose, may conduct any proceedings it deems necessary. To the extent practicable, all applications shall be acted upon within 180 calendar days of the date of submission of a completed application. If an investigation has not been concluded within 180 days after the date of submission of a completed application, the division shall inform the applicant in writing of the status of the investigation and shall also provide the applicant with an estimated date on which the investigation may reasonably be expected to be concluded.

(b) If denial of the application is recommended, the director shall prepare and file with the commission his or her written reasons upon which the recommendation is based.

(1) Prior to filing his or her recommendation with the commission, the director shall meet with the applicant, or the applicant's duly authorized representative, and inform him or her generally of the basis for any proposed recommendation that the application be denied, restricted, or conditioned.

(2) Not less than 10 business days prior to the meeting of the commission at which the application is to be considered, the division shall deliver to the applicant a summary of the director's final report and recommendation.



(3) Nothing herein shall require the division to divulge to the applicant any confidential information received from any law enforcement agency or any information received from any person with assurances that the information would be maintained confidential, and nothing herein shall require the division to divulge any information that might reveal the identity of any informer or jeopardize the safety of any person.

(c) A recommendation of denial of an application shall be without prejudice to a new and different application filed in accordance with applicable regulations.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 29. Section 19857A is added to the Business and Professions Code, to read:

19857A. (a) A request for withdrawal of any application may be made at any time prior to final action upon the application by the director by the filing of a written request to withdraw with the commission. For the purposes of this section, final action by the division means a final determination by the director regarding his or her recommendation on the application to the commission. The commission shall not grant the request unless the applicant has established that withdrawal of the application would be consistent with the public interest and the policies of this chapter. If a request for withdrawal is denied, the division may go forward with its investigation and make a recommendation to the commission upon the application, and the commission may act upon the application as if no request for withdrawal had been made. If a request for withdrawal is granted with prejudice, the applicant thereafter shall be ineligible to renew its application until the expiration of one year from the date of the withdrawal. Unless the commission otherwise directs, no fee or other payment relating to any application is refundable by reason of withdrawal of an application.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 30. Section 19858A is added to the Business and Professions Code, to read:

19858A. (a) The commission, after considering the recommendation of the director and such other testimony and written comments as may be presented at the meeting, or as may have been submitted in writing to the commission prior to the meeting, may either deny the application or grant a license to an applicant who it determines to be qualified to hold the license.

(b) When the commission grants an application for a license or approval, the commission may limit or place restrictions thereon as it may deem necessary in the public interest, consistent with the policies described in this chapter.

(c) When an application is denied, the executive secretary shall prepare and file a detailed statement of the commission's reasons for the denial.

(d) All proceedings at a meeting of the commission relating to a license application shall be recorded stenographically or on audiotape.

(e) A decision of the commission denying a license or approval, or imposing any condition or restriction on the grant of a license or approval may be reviewed by petition pursuant to Section 1085 of the Code of Civil Procedure. Section 1094.5 of the Code of Civil Procedure shall not apply to any judicial proceeding described in the foregoing sentence, and the court may grant the petition only if the court finds that the action of the commission was arbitrary and capricious, or that the action exceeded the commission's jurisdiction.

(f) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 31. Section 19858.7A is added to the Business and Professions Code, to read:



19858.7A. (a) No member of the commission may communicate ex parte, directly or indirectly, with any applicant, or any agent, representative, or person acting on behalf of an applicant, upon the merits of an application for a license, permit, registration, or approval while the application is pending disposition before the division or the commission.

(b) No applicant, or any agent, representative, or person acting on behalf of an applicant, and no person who has a direct or indirect interest in the outcome of a proceeding to consider an application for a license, permit, registration, or approval may communicate ex parte, directly or indirectly, with any member of the commission, upon the merits of the application while the application is pending disposition before the division.

(c) No employee or agent of the division, applicant, or any agent, representative, or person acting on behalf of an applicant, and no person who has a direct or indirect interest in the outcome of a proceeding to consider an application for a license, permit, registration, or approval may communicate ex parte, directly or indirectly, with any member of the commission, upon the merits of the application, while the application is pending disposition before the commission.

(d) The receipt by a member of the commission of an ex parte communication prohibited by this section may provide the basis for disqualification of that member or the denial of the application. The commission shall adopt regulations to implement this subdivision.

(e) For the purposes of this subdivision, “ex parte” means a communication without notice and opportunity for all parties to participate in the communication.

(f) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 32. Section 19860A is added to the Business and Professions Code, to read:

19860A. (a) Subject to subdivision (b) of Section 19840.5, the commission shall issue and deliver to the



applicant a license entitling the applicant to engage in the activity for which the license is issued, together with an enumeration of any specific terms and conditions of the license if both of the following conditions have been met:

(1) The commission is satisfied that the applicant is eligible and qualified to receive the license.

(2) All license fees required by statute and by regulations of the commission have been paid.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 33. Section 19862A is added to the Business and Professions Code, to read:

19862A. (a) Subject to the power of the commission to deny, revoke, suspend, condition, or limit any license, as provided in this chapter, a license shall be renewed annually by the commission from the date of issuance, upon proper application for renewal and payment of state license fees as required by statute or regulation.

(b) An application for renewal of a gambling license shall be filed by the owner licensee with the commission no later than 120 calendar days prior to the expiration of the current license, and all license fees shall be paid to the commission on or before the expiration of the current license. The commission shall act upon any application for renewal prior to the date of expiration of the current license. Upon renewal of any owner license, the commission shall issue an appropriate renewal certificate or validating device or sticker.

(c) Unless the commission determines otherwise, renewal of an owner's gambling license shall be deemed to effectuate the renewal of every other gambling license endorsed thereon.

(d) In addition to the penalties provided by law, any owner licensee who deals, operates, carries on, conducts, maintains, or exposes for play any gambling game after the expiration date of the gambling license is liable to the state for all license fees and penalties that would have been due upon renewal.



(e) If an owner licensee fails to renew the gambling license as provided in this chapter, the commission may order the immediate closure of the premises and a cessation of all gambling activity therein until the license is renewed.

(f) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 34. Section 19863A is added to the Business and Professions Code, to read:

19863A. (a) Neither an owner licensee, nor a California affiliate of an owner licensee, shall enter into, without prior approval of the commission, any contract or agreement with a person who is denied a license, or whose license is suspended or revoked by the commission, or with any business enterprise under the control of that person, after the date of receipt of notice of the action by the division.

(b) An owner licensee or an affiliate of the owner licensee shall not employ, without prior approval of the commission, any person in any capacity for which he or she is required to be licensed, if the person has been denied a license, or if his or her license has been suspended or revoked after the date of receipt of notice of the action by the commission. Neither an owner licensee, nor a California affiliate of an owner licensee, without prior approval of the commission, shall enter into any contract or agreement with a person whose application has been withdrawn with prejudice, or with any business enterprise under the control of that person, for the period of time during which the person is prohibited from filing a new application for licensure.

(c) (1) If an employee who is required to be licensed pursuant to this chapter fails to apply for a license within the time specified by regulation, is denied a license, or has his or her license revoked by the commission, the employee shall be terminated in any capacity in which he or she is required to be licensed and he or she shall not be permitted to exercise a significant influence over the



gambling operation, or any part thereof, upon being notified of that action.

(2) If an employee who is required to be licensed pursuant to this chapter has his or her license suspended, the employee shall be suspended in any capacity in which he or she is required to be licensed and shall not be permitted to exercise a significant influence over the gambling operation, or any part thereof, during the period of suspension, upon being notified of that action.

(3) If the owner licensee designates another employee to replace the employee whose employment was terminated, the owner licensee shall promptly notify the division and shall require the newly designated employee to apply for a license.

(d) An owner licensee or an affiliate of the owner licensee shall not pay to a person whose employment has been terminated pursuant to subdivision (c) any remuneration for any service performed in any capacity in which the person is required to be licensed except for amounts due for services rendered before the date of receipt of notice of the action by the division. Neither an owner licensee, nor an affiliate thereof, during the period of suspension, shall pay to a person whose employment has been suspended pursuant to subdivision (c), any remuneration for any service performed in any capacity in which the person is required to be licensed, except for amounts due for services rendered before the date of receipt of notice of the action by the division.

(e) Except as provided in subdivision (c), a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, which is to be performed by a person required by this chapter or by the division to be licensed, shall be terminated upon a suspension or revocation of the person's license.

(f) In any case in which a contract or agreement for the provision of services or property to an owner licensee or an affiliate thereof, or for the conduct of any activity at a gambling establishment, is to be performed by a person required by this chapter or by the commission to



be licensed, the contract shall be deemed to include a provision for its termination without liability on the part of the owner licensee or its duly registered holding company upon a suspension or revocation of the person's license. In any action brought by the division to terminate a contract pursuant to subdivision (c) or (e), it shall not be a defense that the agreement does not expressly include the provision described in this subdivision, and the lack of express inclusion of the provision in the agreement shall not be a basis for enforcement of the contract by a party thereto.

(g) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 35. Section 19864A is added to the Business and Professions Code, to read:

19864A. (a) With regard to a person who has had his or her application for a license denied by the commission, all of the following shall apply:

(1) Except as provided in paragraph (3), the person shall not be entitled to profit from his or her investment in any business entity that has applied for or been granted a state license.

(2) The person shall not retain his or her interest in a business entity described in paragraph (1) beyond that period prescribed by the commission.

(3) The person shall not accept more for his or her interest in a business entity described in paragraph (1) than he or she paid for it, or the market value on the date of the denial of the license or registration, whichever is higher.

(4) Nothing in this section shall be construed as a restriction or limitation on the powers of the commission specified in this chapter.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 36. Section 19871A is added to the Business and Professions Code, to read:

19871A. (a) No corporation is eligible to receive a license to own a gambling enterprise unless the conduct of controlled gambling is among the purposes stated in its articles of incorporation and the articles of incorporation have been submitted to and approved by the commission.

(b) On and after the effective date of this section, the Secretary of State shall not accept for filing any articles of incorporation of any corporation that include as a stated purpose the conduct of controlled gambling, or any amendment thereto, or any amendment that adds this purpose to articles of incorporation already filed, unless the articles have, or amendment has, been approved by the commission.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 37. Section 19872A is added to the Business and Professions Code, to read:

19872A. (a) If at any time the commission denies a license to an individual owner of any security issued by a corporation that applies for or holds an owner license, the owner of the security shall immediately offer the security to the issuing corporation for purchase. The corporation shall purchase the security so offered, for cash in an amount not greater than fair market value, within 30 calendar days after the date of the offer.

(b) Beginning upon the date when the division serves notice of the denial upon the corporation, it is unlawful for the denied security owner to do any of the following:

(1) Receive any dividend or interest upon any security described in subdivision (a).

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by any security described in subdivision (a).

(3) Receive any remuneration in any form from the corporation for services rendered or for any other purpose.



(c) Every security issued by a corporate owner licensee shall bear a statement, on both sides of the certificate evidencing the security, of the restrictions imposed by this section.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 38. Section 19882A is added to the Business and Professions Code, to read:

19882A. (a) The purported sale, assignment, transfer, pledge, or other disposition of any interest in a limited partnership that holds a gambling license, or the grant of an option to purchase the interest, is void unless approved in advance by the commission.

(b) If at any time the commission denies a license to an individual owner of any interest described in subdivision (a), the division shall immediately notify the partnership of that fact. The limited partnership, within 30 calendar days from the date it receives the notice from the division, shall return to the denied owner of the interest, in cash, the amount of his or her capital account as reflected on the books of the partnership.

(c) Beginning upon the date when the commission serves a notice of denial upon the limited partnership, it is unlawful for the denied owner of the interest to do any of the following:

(1) Receive any share of the revenue or interest upon the limited partnership interest.

(2) Exercise, directly or through any trustee or nominee, any voting right conferred by that interest.

(3) Receive any remuneration in any form from the limited partnership, for services rendered or for any other purpose.

(d) Every certificate of limited partnership of any limited partnership holding a gambling license shall contain a statement of the restrictions imposed by this section.

(e) This section shall become operative on the occurrence of one of the events specified in Section 66 of



the act that added this section to the Business and Professions Code.

SEC. 39. Section 19883A is added to the Business and Professions Code, to read:

19883A. (a) To the extent required by this chapter, general partners, limited partners, lenders, holders of evidence of indebtedness, underwriters, agents, or employees of a limited partnership that holds or applies for a license to own a gambling enterprise shall be licensed individually. The limited partnership shall require these persons to apply for and obtain a gambling license. A person who is required to be licensed by this section as a general or limited partner shall not hold that position until he or she secures the required approval of the commission. A person who is required to be licensed pursuant to a decision of the commission shall apply for a license within 30 days after the commission requests him or her to do so.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 40. Article 7 (commencing with Section 19900A) is added to Chapter 5 of Division 8 of the Business and Professions Code, to read:

Article 7. Restrictions on Certain Transactions

19900A. (a) Except as may be provided by regulation of the division, the following security interests shall not be enforced without the prior approval of the commission and compliance with regulations adopted pursuant to subdivision (b):

(1) In a security issued by a corporation that is a holder of a gambling license in this state.

(2) In a security issued by a holding company that is not a publicly traded corporation.

(3) In a security issued by a partnership that is a holder of a gambling license in this state.



(b) The division shall adopt regulations establishing the procedure for the enforcement of a security interest. Any remedy provided by the regulations for the enforcement of the security interest is in addition to any other remedy provided by law.

19901A. It is unlawful for any person to sell, purchase, lease, hypothecate, borrow or loan money, or create a voting trust agreement or any other agreement of any sort to, or with, any licensee in connection with any controlled gambling operation licensed under this chapter or with respect to any portion of the gambling operation, except in accordance with the regulations of the commission.

19902A. When any person contracts to sell or lease any property or interest in property, real or personal, under circumstances that require the approval or licensing of the purchaser or lessee by the commission pursuant to subdivision (a) of Section 19842, the contract shall not specify a closing date for the transaction that is earlier than the expiration of 90 calendar days after the submission of the completed application for approval for licensing. Any provision of a contract that specifies an earlier closing date is void for all purposes, but the invalidity does not affect the validity of any other provision of the contract.

19903A. When any person contracts to sell or lease any property or interest in property, real or personal, under circumstances that require the approval or licensing of the purchaser or lessee by the commission pursuant to subdivision (a) of Section 19842A, the contract shall contain a provision satisfactory to the commission regarding responsibility for the payment of any fees due pursuant to any subsequent deficiency determinations made under this chapter that shall encompass any period of time before the closing date of the transaction.

19904A. The purported sale, assignment, transfer, pledge, or other disposition of any security issued by a corporation that holds a gambling license, or the grant of an option to purchase that security, is void unless approved in advance by the commission.



19905A. Every owner licensee that is involved in a transaction for the extension or redemption of credit by the licensee, or for the payment, receipt, or transfer of coin, currency, or other monetary instruments, as specified by the commission, in an amount, denomination, or amount and denomination, or under circumstances prescribed by regulations, and any other participant in the transaction, as specified by the commission, shall, if required by regulation, make and retain a record of, or file with the division a report on, the transaction, at the time and in the manner prescribed by regulations.

19906A. This article shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 41. Section 19910.5A is added to the Business and Professions Code, to read:

19910.5A. (a) (1) A person shall not be employed as a gambling enterprise employee, or serve as an independent agent, except as provided in paragraph (2), unless he or she is the holder of one of the following:

(A) A valid work permit issued in accordance with the applicable ordinance or regulations of the county, city, or city and county in which his or her duties are performed.

(B) A work permit issued by the commission.

(2) An independent agent is not required to hold a work permit if he or she is not a resident of this state and has registered with the division in accordance with regulations.

(b) A work permit shall not be issued by any city, county, or city and county to any person who would be disqualified from holding a state gambling license for the reasons specified in paragraphs (1) to (7), inclusive, of subdivision (a) of Section 19850.

(c) The division may object to the issuance of a work permit by a city, county, or city and county for any cause deemed reasonable by the division, and if the division objects to issuance of a work permit, the work permit shall be denied.



(1) The commission shall adopt regulations specifying particular grounds for objection to issuance of, or refusal to issue, a work permit.

(2) The ordinance of any city, county, or city and county relating to issuance of work permits shall permit the division to object to the issuance of any permit.

(3) Any person whose application for a work permit has been denied because of an objection by the division may apply to the commission for an evidentiary hearing in accordance with regulations.

(d) Application for a work permit for use in any jurisdiction where a locally issued work permit is not required by the licensing authority of a city, county, or city and county shall be made to the division, and may be granted or denied for any cause deemed reasonable by the commission. If the commission denies the application, it shall include in its notice of denial a statement of facts upon which it relied in denying the application.

(e) An order of the commission denying an application for a work permit, including an order declining to issue a work permit following review pursuant to paragraph (3) of subdivision (c), may be reviewed in accordance with subdivision (e) of Section 19858.

(f) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 42. Section 19911A is added to the Business and Professions Code, to read:

19911A. (a) The commission may issue an order summarily suspending a person's work permit, whether issued by a city, county, or city and county, or by the commission, upon a finding that the suspension is necessary for the immediate preservation of the public peace, health, safety, or general welfare. The order is effective when served upon the holder of the permit.

(b) The order of summary suspension shall state facts upon which the finding of necessity for the suspension is based. For the purposes of this section, the order of summary suspension shall be deemed an accusation.



(c) An order of summary suspension shall be signed by at least three members of the commission.

(d) The person whose work permit is summarily suspended has a right to a hearing to commence not more than 30 calendar days from the date of service of the suspension.

(e) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 43. Section 19912A is added to the Business and Professions Code, to read:

19912A. (a) The commission may revoke a work permit or, if issued by the licensing authority of a city, county, or city and county, notify the authority to revoke it, and the licensing authority shall revoke it, if the commission finds, after a hearing, that a gambling enterprise employee or independent agent has failed to disclose, misstated, or otherwise misled the division or the commission with respect to any fact contained in any application for a work permit, or if the commission finds that the employee or independent agent, subsequent to being issued a work permit, has done any of the following:

(1) Committed, attempted, or conspired to do any acts prohibited by this chapter.

(2) Engaged in any dishonest, fraudulent, or unfairly deceptive activities in connection with controlled gambling, or knowingly possessed or permitted to remain in or upon any premises any cards, dice, mechanical devices, or any other cheating device.

(3) Concealed or refused to disclose any material fact in any investigation by the division.

(4) Committed, attempted, or conspired to commit, any embezzlement or larceny against a gambling licensee or upon the premises of a gambling establishment.

(5) Been convicted in any jurisdiction of any offense involving or relating to gambling.

(6) Accepted employment without prior commission approval in a position for which he or she could be required to be licensed under this chapter after having



been denied a license or after failing to apply for licensing when requested to do so by the commission.

(7) Been refused the issuance of any license, permit, or approval to engage in or be involved with gambling or parimutuel wagering in any jurisdiction, or had the license, permit, or approval revoked or suspended.

(8) Been prohibited under color of governmental authority from being present upon the premises of any licensed gambling establishment or any establishment where parimutuel wagering is conducted, for any reason relating to improper gambling activities or any illegal act.

(9) Been convicted of any felony.

(b) The commission shall revoke a work permit if it finds, after hearing, that the holder thereof would be disqualified from holding a state gambling license for the reasons specified in paragraph (6) or (7) of subdivision (a) of Section 19850A.

(c) Nothing in this section shall be construed to limit any powers of the commission with respect to licensing.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 44. Section 19913A is added to the Business and Professions Code, to read:

19913A. (a) The fee for a work permit issued by the commission shall be not less than twenty-five dollars (\$25) or more than two hundred fifty dollars (\$250).

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 45. Section 19915A is added to the Business and Professions Code, to read:

19915A. (a) It is the policy of the State of California to require that all establishments wherein controlled gambling is conducted in this state be operated in a manner suitable to protect the public health, safety, and general welfare of the residents of the state. The responsibility for the employment and maintenance of

suitable methods of operation rests with the owner licensee, and willful or persistent use or toleration of methods of operation deemed unsuitable by the commission or by local government shall constitute grounds for license revocation or other disciplinary action.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 46. Section 19918A is added to the Business and Professions Code, to read:

19918A. (a) Each owner licensee shall maintain security controls over the gambling premises and all operations therein related to gambling, and those security controls are subject to the approval of the commission.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 47. Section 19920A is added to the Business and Professions Code, to read:

19920A. (a) The division shall make appropriate investigations as follows:

(1) Determine whether there has been any violation of this chapter or any regulations adopted thereunder.

(2) Determine any facts, conditions, practices, or matters that it may deem necessary or proper to aid in the enforcement of this chapter or any regulation adopted thereunder.

(3) To aid in adopting regulations.

(4) To secure information as a basis for recommending legislation relating to this chapter.

(b) If, after any investigation, the division is satisfied that a license, permit, finding of suitability, or approval should be suspended or revoked, it shall file an accusation with the commission in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code.



(c) In addition to any action that the commission may take against a license, permit, finding of suitability, or approval, the commission may also require the payment of fines or penalties. However, no fine imposed shall exceed twenty thousand dollars (\$20,000) for each separate violation of any provision of this chapter or any regulation adopted thereunder.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 48. Section 19921A is added to the Business and Professions Code, to read:

19921A. (a) The commission may issue any emergency orders against an owner licensee or any person involved in a transaction requiring prior approval that the division deems reasonably necessary for the immediate preservation of the public peace, health, safety, or general welfare.

(b) The emergency order shall set forth the grounds upon which it is based, including a statement of facts constituting the alleged emergency necessitating the action.

(c) The emergency order is effective immediately upon issuance and service upon the owner licensee or any agent of the licensee registered with the division for receipt of service, or, in cases involving prior approval, upon issuance and service upon the person or entity involved, or upon an agent of that person or entity authorized to accept service of process in this state. The emergency order may suspend, limit, condition, or take other action in relation to the license of one or more persons in an operation without affecting other individual licensees, registrants, or the licensed gambling establishment. The emergency order remains effective until further order of the commission or final disposition of any proceeding conducted pursuant to subdivision (d).

(d) Within two calendar days after issuance of an emergency order, the division shall file an accusation with the commission against the person or entity



involved. Thereafter, the person or entity against whom the emergency order has been issued and served is entitled to a hearing which, if so requested, shall commence within 10 business days of the date of the request if a gambling operation is closed by the order, and in all other cases, within 30 calendar days of the date of the request. On application of the division, and for good cause shown, a court may extend the time within which a hearing is required to be commenced, upon those terms and conditions that the court deems equitable.

(e) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 49. Section 19933.5A is added to the Business and Professions Code, to read:

19933.5A. (a) Except as specified in subdivision (c), this section applies to any person or business that is engaged in controlled gambling, whether or not licensed to do so.

(b) Any person or business described in subdivision (a), with actual knowledge of the requirements of regulations adopted by the commission pursuant to subdivision (d) of Section 19834A, that knowingly and willfully fails to comply with the requirements of those regulations shall be liable for a monetary penalty. The commission may impose a monetary penalty for each violation. However, in the first proceeding that is initiated pursuant to this subdivision, the penalties for all violations shall not exceed a total sum of ten thousand dollars (\$10,000). If a penalty was imposed in a prior proceeding before the commission or its predecessor, the California Gambling Control Board, the penalties for all violations shall not exceed a total sum of twenty-five thousand dollars (\$25,000). If a penalty was imposed in two or more prior proceedings before the commission or its predecessor, the California Gambling Control Board, the penalties for all violations shall not exceed a total sum of one hundred thousand dollars (\$100,000).



(c) This section does not apply to any case where the person is criminally prosecuted in federal or state court for conduct related to a violation of Section 14162 of the Penal Code.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 50. Section 19942A is added to the Business and Professions Code, to read:

19942A. (a) The commission, by regulation, shall establish fees for special licenses authorizing irregular operation of tables in excess of the total number of tables otherwise authorized to a licensed gambling establishment, for tournaments and other special events.

(b) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 51. Section 19959.5A is added to the Business and Professions Code, to read:

19959.5A. (a) A member of the commission, the executive secretary of the commission, the director of the division, and any employee designated by regulation of the commission or the division for purposes of this section, shall not, for a period of three years after leaving office or terminating employment, for compensation, act as agent or attorney for, or otherwise represent, any other person by making any formal or informal appearance, or by making any oral or written communication, before the commission or the division, or any officer or employee thereof, if the appearance or communication is for the purpose of influencing administrative action, or influencing any action or proceeding involving the issuance, amendment, awarding, or revocation of a permit, license, or approval.

(b) A member of the commission shall not solicit or accept campaign contributions from any person, including any applicant or licensee.

(c) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 52. Section 19960.2A is added to the Business and Professions Code, to read:

19960.2A. (a) A license may be denied, suspended, or revoked if the applicant or licensee, within three years prior to the submission of the license or renewal application, or any time thereafter, violates any law or ordinance with respect to campaign finance disclosure or contribution limitations applicable to an election that is conducted pursuant to Section 19950 or pursuant to former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter.

(1) The remedies specified herein are in addition to any other remedy or penalty provided by law.

(2) Any final determination by the Fair Political Practices Commission that the applicant did not violate any provision of state law within its jurisdiction shall be binding on the commission.

(3) Any final determination by a city or county governmental body having ultimate jurisdiction over the matter that the applicant did not violate an ordinance with respect to campaign finance disclosure or contribution limitations applicable to an election conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, shall be binding on the commission.

(b) Every applicant for a gambling license, or any renewal thereof, shall file with the division, at the time the license application or renewal is filed, the following information:

(1) Any statement or other document required to be filed with the Fair Political Practices Commission relative to an election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter,



within three years of the date on which the application is submitted.

(2) Any statement or other document required to be filed with any local jurisdiction respecting campaign finance disclosure or contribution limitations applicable to an election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(3) A report of any contribution of money or thing of value, in excess of one hundred dollars (\$100), made to any committee, as defined by Section 82013 of the Government Code, associated with any election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(4) A report of any other significant involvement by the applicant or licensee in an election that is conducted pursuant to Section 19950, or former Section 19819, as that section read immediately prior to its repeal by the act that enacted this chapter, within three years of the date on which the application is submitted.

(c) The commission shall adopt regulations to implement this section.

(d) This section shall become operative on the occurrence of one of the events specified in Section 66 of the act that added this section to the Business and Professions Code.

SEC. 53. Section 1822.60 is added to the Code of Civil Procedure, to read:

1822.60. A warrant may be issued under the requirements of this title to authorize personnel of the Division of Gambling Control of the Department of Justice to conduct inspections as provided in subdivision (a) of Section 19825 of the Business and Professions Code.

SEC. 55. Section 15001 of the Government Code is amended to read:

15001. The department is composed of the Office of the Attorney General, the Division of Law Enforcement, and the Division of Gambling Control.

SEC. 56. Section 15001.1 is added to the Government Code, to read:

15001.1. The Division of Gambling Control is responsible for investigation and enforcement of controlled gambling activity in this state as set forth in the Gambling Control Act (Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code).

SEC. 57. Section 15001.2 is added to the Government Code, to read:

15001.2. Any process issued by the Division of Gambling Control for purposes of implementing and enforcing the Gambling Control Act (Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code) may be issued in the name of the division. Any hearing conducted by the Attorney General for these purposes may be styled as conducted before the division.

SEC. 58. Section 186.9 of the Penal Code is amended to read:

186.9. As used in this chapter:

(a) “Conducts” includes, but is not limited to, initiating, concluding, or participating in conducting, initiating, or concluding a transaction.

(b) “Financial institution” means, when located or doing business in this state, any national bank or banking association, state bank or banking association, commercial bank or trust company organized under the laws of the United States or any state, any private bank, industrial savings bank, savings bank or thrift institution, savings and loan association, or building and loan association organized under the laws of the United States or any state, any insured institution as defined in Section 401 of the National Housing Act (12 U.S.C. Sec. 1724(a)), any credit union organized under the laws of the United States or any state, any national banking association or corporation acting under Chapter 6 (commencing with



Section 601) of Title 12 of the United States Code, any agency, agent or branch of a foreign bank, any currency dealer or exchange, any person or business engaged primarily in the cashing of checks, any person or business who regularly engages in the issuing, selling, or redeeming of traveler's checks, money orders, or similar instruments, any broker or dealer in securities registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 or with the Commissioner of Corporations under Part 3 (commencing with Section 25200) of Division 1 of Title 4 of the Corporations Code, any licensed transmitter of funds or other person or business regularly engaged in transmitting funds to a foreign nation for others, any investment banker or investment company, any insurer, any dealer in gold, silver, or platinum bullion or coins, diamonds, emeralds, rubies, or sapphires, any pawnbroker, any telegraph company, any personal property broker, any person or business acting as a real property securities dealer within the meaning of Section 10237 of the Business and Professions Code, whether licensed to do so or not, any person or business acting within the meaning and scope of subdivisions (d) and (e) of Section 10131 and Section 10131.1 of the Business and Professions Code, whether licensed to do so or not, any person or business regularly engaged in gaming within the meaning and scope of Section 330, any person or business regularly engaged in pool selling or bookmaking within the meaning and scope of Section 337a, any person or business regularly engaged in horseracing whether licensed to do so or not under the Business and Professions Code, any person or business engaged in the operation of a gambling ship within the meaning and scope of Section 11317, any person or business engaged in controlled gambling within the meaning and scope of subdivision (d) of Section 19805 of the Business and Professions Code, whether registered to do so or not, and any person or business defined as a "bank," "financial agency," or "financial institution" by Section 5312 of Title 31 of the United States Code or



Section 103.11 of Title 31 of the Code of Federal Regulations and any successor provisions thereto.

(c) “Transaction” includes the deposit, withdrawal, transfer, bailment, loan, pledge, payment, or exchange of currency, or a monetary instrument, as defined by subdivision (d), or the electronic, wire, magnetic, or manual transfer of funds between accounts by, through, or to, a financial institution as defined by subdivision (b).

(d) “Monetary instrument” means United States currency and coin; the currency, coin, and foreign bank drafts of any foreign country; payment warrants issued by the United States, this state, or any city, county, or city and county of this state or any other political subdivision thereof; any bank check, cashier’s check, traveler’s check, personal check, money order, stock, investment security, or negotiable instrument in bearer form or otherwise in such form that title thereto passes upon delivery; gold, silver, or platinum bullion or coins; and diamonds, emeralds, rubies, or sapphires. Except for foreign bank drafts and federal, state, county, or city warrants, “monetary instrument” does not include bank checks, cashier’s checks, traveler’s checks, personal checks, or money orders made payable to the order of a named party which have not been endorsed or which bear restrictive endorsements, and also does not include personal checks which have been endorsed by the named party and deposited by the named party into the named party’s account with a financial institution.

(e) “Criminal activity” means a criminal offense punishable under the laws of this state by death or imprisonment in the state prison or from a criminal offense committed in another jurisdiction punishable under the laws of that jurisdiction by death or imprisonment for a term exceeding one year.

(f) “Foreign bank draft” means a bank draft or check issued or made out by a foreign bank, savings and loan, casa de cambio, credit union, currency dealer or exchanger, check cashing business, money transmitter, insurance company, investment or private bank, or any other foreign financial institution that provides similar



financial services, on an account in the name of the foreign bank or foreign financial institution held at a bank or other financial institution located in the United States or a territory of the United States.

SEC. 58.5. Section 186.9 of the Penal Code is amended to read:

186.9. As used in this chapter:

(a) “Conducts” includes, but is not limited to, initiating, concluding, or participating in conducting, initiating, or concluding a transaction.

(b) “Financial institution” means, when located or doing business in this state, any national bank or banking association, state bank or banking association, commercial bank or trust company organized under the laws of the United States or any state, any private bank, industrial savings bank, savings bank or thrift institution, savings and loan association, or building and loan association organized under the laws of the United States or any state, any insured institution as defined in Section 401 of the National Housing Act (12 U.S.C. Sec. 1724(a)), any credit union organized under the laws of the United States or any state, any national banking association or corporation acting under Chapter 6 (commencing with Section 601) of Title 12 of the United States Code, any agency, agent or branch of a foreign bank, any currency dealer or exchange, any person or business engaged primarily in the cashing of checks, any person or business who regularly engages in the issuing, selling, or redeeming of traveler’s checks, money orders, or similar instruments, any broker or dealer in securities registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 or with the Commissioner of Corporations under Part 3 (commencing with Section 25200) of Division 1 of Title 4 of the Corporations Code, any licensed transmitter of funds or other person or business regularly engaged in transmitting funds to a foreign nation for others, any investment banker or investment company, any insurer, any dealer in gold, silver, or platinum bullion or coins, diamonds, emeralds, rubies, or



sapphires, any pawnbroker, any telegraph company, any person or business regularly engaged in the delivery, transmittal, or holding of mail or packages, any person or business that conducts a transaction involving the transfer of title to any real property, vehicle, vessel, or aircraft, any personal property broker, any person or business acting as a real property securities dealer within the meaning of Section 10237 of the Business and Professions Code, whether licensed to do so or not, any person or business acting within the meaning and scope of subdivisions (d) and (e) of Section 10131 and Section 10131.1 of the Business and Professions Code, whether licensed to do so or not, any person or business regularly engaged in gaming within the meaning and scope of Section 330, any person or business regularly engaged in pool selling or bookmaking within the meaning and scope of Section 337a, any person or business regularly engaged in horseracing whether licensed to do so or not under the Business and Professions Code, any person or business engaged in the operation of a gambling ship within the meaning and scope of Section 11317, any person or business engaged in controlled gambling within the meaning and scope of subdivision (d) of Section 19805 of the Business and Professions Code, whether registered to do so or not, and any person or business defined as a “bank,” “financial agency,” or “financial institution” by Section 5312 of Title 31 of the United States Code or Section 103.11 of Title 31 of the Code of Federal Regulations and any successor provisions thereto.

(c) “Transaction” includes the deposit, withdrawal, transfer, bailment, loan, pledge, payment, or exchange of currency, or a monetary instrument, as defined by subdivision (d), or the electronic, wire, magnetic, or manual transfer of funds between accounts by, through, or to, a financial institution as defined by subdivision (b).

(d) “Monetary instrument” means United States currency and coin; the currency, coin, and foreign bank drafts of any foreign country; payment warrants issued by the United States, this state, or any city, county, or city and county of this state or any other political subdivision



thereof; any bank check, cashier's check, traveler's check, or money order; any personal check, stock, investment security, or negotiable instrument in bearer form or otherwise in a form in which title thereto passes upon delivery; gold, silver, or platinum bullion or coins; and diamonds, emeralds, rubies, or sapphires. Except for foreign bank drafts and federal, state, county, or city warrants, "monetary instrument" does not include personal checks made payable to the order of a named party which have not been endorsed or which bear restrictive endorsements, and also does not include personal checks which have been endorsed by the named party and deposited by the named party into the named party's account with a financial institution.

(e) "Criminal activity" means a criminal offense punishable under the laws of this state by death or imprisonment in the state prison or from a criminal offense committed in another jurisdiction punishable under the laws of that jurisdiction by death or imprisonment for a term exceeding one year.

(f) "Foreign bank draft" means a bank draft or check issued or made out by a foreign bank, savings and loan, casa de cambio, credit union, currency dealer or exchanger, check cashing business, money transmitter, insurance company, investment or private bank, or any other foreign financial institution that provides similar financial services, on an account in the name of the foreign bank or foreign financial institution held at a bank or other financial institution located in the United States or a territory of the United States.

SEC. 59. Section 337j is added to the Penal Code, to read:

337j. (a) It is unlawful for any person, as owner, lessee, or employee, whether for hire or not, either solely or in conjunction with others, to do any of the following without having first procured and thereafter maintained in effect all federal, state, and local licenses required by law:

(1) To deal, operate, carry on, conduct, maintain, or expose for play in this state any controlled game.



(2) To receive, directly or indirectly, any compensation or reward or any percentage or share of the revenue, for keeping, running, or carrying on any controlled game.

(3) To manufacture, distribute, or repair any gambling equipment within the boundaries of this state, or to receive, directly or indirectly, any compensation or reward for the manufacture, distribution, or repair of any gambling equipment within the boundaries of this state.

(b) It is unlawful for any person to knowingly permit any controlled game to be conducted, operated, dealt, or carried on in any house or building or other premises that he or she owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.

(c) It is unlawful for any person to knowingly permit any gambling equipment to be manufactured, stored, or repaired in any house or building or other premises that the person owns or leases, in whole or in part, if that activity is undertaken by a person who is not licensed as required by state law, or by an employee of that person.

(d) Any person who violates, attempts to violate, or conspires to violate this section shall be punished by imprisonment in a county jail for not more than one year, or by a fine of not more than five thousand dollars (\$5,000), or by both that imprisonment and fine.

(e) (1) As used in this section, “controlled game” means any game of chance, including any gambling device, played for currency, check, credit, or any other thing of value that is not prohibited and made unlawful by statute or local ordinance.

(2) As used in this section, “controlled game” does not include any of the following:

(A) The game of bingo conducted pursuant to Section 326.5.

(B) Parimutuel racing on horseraces regulated by the California Horse Racing Board.

(C) Any lottery game conducted by the California State Lottery.



(D) Games played with cards in private homes or residences, in which no person makes money for operating the game, except as a player.

(f) It is unlawful for any person to collect any fee in connection with a controlled game authorized pursuant to Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code unless the method of fee collection conforms to regulations adopted by the Division of Gambling Control of the Department of Justice or the California Gambling Control Commission. Until those regulations become operative, an owner licensee may continue to collect fees, in accordance with any of the following provisions:

(1) In the same manner as fees were collected in the establishment as of January 1, 1997, if the method of fee collection is permitted by ordinance, resolution, letter, or other written authorization of the local governmental entity having regulatory jurisdiction or law enforcement authority over the gambling establishment.

(2) In the same manner as fees were collected in the establishment as of January 1, 1997, if all of the following are true:

(A) The amount of the fee is fixed in advance of the game.

(B) There is no minimum wager in any game, round, or hand.

(C) No fee is deducted from the amount wagered.

(D) In any game or round, the same fixed fee is collected from all players at the table.

(E) The method of fee collection has not been challenged by, and is not prohibited by any ordinance or resolution of, the local governmental entity having regulatory jurisdiction or law enforcement authority over the gambling establishment.

(3) Using any method of fee collection that is otherwise authorized by law.

SEC. 60. Section 14161 of the Penal Code is amended to read:

14161. As used in this title:



(a) “Financial institution” means, when located or doing business in this state, any national bank or banking association, state bank or banking association, commercial bank or trust company organized under the laws of the United States or any state, any private bank, industrial savings bank, savings bank or thrift institution, savings and loan association, or building and loan association organized under the laws of the United States or any state, any insured institution as defined in Section 401 of the National Housing Act, any credit union organized under the laws of the United States or any state, any national banking association or corporation acting under Chapter 6 (commencing with Section 601) of Title 12 of the United States Code, any foreign bank, any currency dealer or exchange, any person or business engaged primarily in the cashing of checks, any person or business who regularly engages in the issuing, selling, or redeeming of traveler’s checks, money orders, or similar instruments, any broker or dealer in securities registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, any licensed sender of money, any investment banker or investment company, any insurance company, any dealer in coins, precious metals, stones, or jewelry, any pawnbroker, any telegraph company, any person or business engaged in controlled gambling within the meaning of subdivision (e) of Section 19805 of the Business and Professions Code, whether registered or licensed to do so or not, and any person or business defined as a “bank,” “financial agency,” or “financial institution” by Section 5312 of Title 31 of the United States Code or Section 103.11 of Title 31 of the Code of Federal Regulations and any successor provisions thereto.

(b) “Transaction” includes the deposit, withdrawal, transfer, bailment, loan, payment, or exchange of currency, or a monetary instrument, as defined by subdivision (c), by, through, or to, a financial institution, as defined by subdivision (a). “Transaction” does not include the purchase of gold, silver, or platinum bullion



or coins, or diamonds, emeralds, rubies, or sapphires by a bona fide dealer therein, and does not include the sale of gold, silver, or platinum bullion or coins, or diamonds, emeralds, rubies, or sapphires by a bona fide dealer therein in exchange for other than a monetary instrument, and does not include the exchange of gold, silver, or platinum bullion or coins, or diamonds, emeralds, rubies, or sapphires by a bona fide dealer therein for gold, silver, or platinum bullion or coins, or diamonds, emeralds, rubies, or sapphires.

(c) “Monetary instrument” means United States currency and coin; the currency and coin of any foreign country; and any instrument defined as a “monetary instrument” by Section 5312 of Title 31 of the United States Code or Section 103.11 of Title 31 of the Code of Federal Regulations, or the successor of either. Notwithstanding any other provision of this subdivision, “monetary instrument” does not include bank checks, cashier’s checks, traveler’s checks, personal checks, or money orders made payable to the order of a named party that have not been endorsed or that bear restrictive endorsements.

(d) “Department” means the Department of Justice.

(e) “Criminal justice agency” means the Department of Justice and any district attorney’s office, sheriff’s department, police department, or city attorney’s office of this state.

(f) “Currency” means United States currency or coin, the currency or coin of any foreign country, and any legal tender or coin defined as currency by Section 103.11 of Title 31 of the Code of Federal Regulations or any succeeding provision.

SEC. 61. Chapter 8 (commencing with Section 4369) is added to Part 3 of Division 4 of the Welfare and Institutions Code, to read:

CHAPTER 8. STATE PROGRAM OF PROBLEM GAMBLING

4369. There is in the department the Office of Compulsive Gambling.



4369.1. As used in this chapter, the following definitions shall apply:

(a) “Compulsive gambling” means any problem or pathological gambling.

(b) “Compulsive gambling prevention programs” means programs designed to reduce the prevalence of problem and pathological gambling among California residents.

(c) “Office” means the Office of Compulsive Gambling.

(d) “Pathological gambling” means an impulse control disorder that meets the diagnostic criteria set forth in the diagnostic and statistical manual version 4 of the American Psychiatric Association.

(e) “Problem gambling” means patterns of gambling-related behavior that compromise, disrupt, or damage personal, family, educational, and vocational pursuits. The term includes pathological and compulsive gambling.

4369.2. (a) The office shall develop a comprehensive gambling prevention program for problem and pathological gamblers within the state. The comprehensive program shall consist of all of the following:

(1) Prevention and education services to the general public.

(2) A toll-free telephone service for crisis intervention and referral of compulsive gamblers to compulsive gambling counselors and self-help groups.

(3) Research into the origin, causes, treatment, and prevalence of problem gambling and pathological gambling among juveniles and adults.

(4) Treatment services for problem and pathological gamblers and their immediate families, including, but not limited to, outpatient services, intensive outpatient services, after-care services, and inpatient services to those persons requiring specialized care.

(5) Training of certified, registered, licensed health professionals in the area of problem and underage gambling.



(b) The office shall make information available as requested by the Governor and the Legislature with respect to the comprehensive program.

4369.3. In designing and developing the program, the office shall do all of the following:

(a) Develop a statewide plan to address the problem of pathological gambling.

(b) Adopt any regulations necessary to administer the program.

(c) Develop priorities for funding services and develop criteria for distributing program funds.

(d) Monitor the expenditures of state funds by agencies and organizations receiving program funding.

(e) Evaluate the effectiveness of services provided through the program.

(f) Notwithstanding any other provision of law, any contracts required to meet the requirements of this chapter are exempt from the requirements contained in the Public Contract Code and the State Administrative Manual, and are exempt from the approval of the Department of General Services.

(g) The first and highest priority of the office with respect to the use of any funds appropriated for the purposes of this chapter shall be to carry out subdivision (a).

4369.4. All state agencies, including, but not limited to, the California Horse Racing Board, any agency that is created to regulate casino gambling or cardrooms within the state, the Department of Corrections, the California Youth Authority, the State Department of Health Services, and the State Department of Alcohol and Drug Programs, but not including the California State Lottery, shall coordinate with the office to ensure that state programs take into account, as much as practicable, problem and pathological gamblers. The office shall also coordinate and work with other entities involved in gambling and the treatment of problem and pathological gamblers.

4369.5. This chapter shall not become operative until funds are appropriated to the Department of Mental

Health to carry out this chapter in legislation enacted subsequent to the act that added this chapter to the Welfare and Institutions Code, or in the annual Budget Act.

SEC. 62. (a) For the purposes of this section, “provisional license” means a license that is either granted by operation of law pursuant to this section, or is issued by the Director of the Division of Gambling Control pursuant to this section, and authorizes the holder to own and operate a gambling establishment, as defined by the Gambling Control Act (Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code), as enacted by this act. The issuance of a provisional license creates no vested right to the issuance of a state gambling license. A provisional license is held subject to all terms and conditions under which a state gambling license is held pursuant to the Gambling Control Act (Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code), as enacted by this act.

(b) (1) Every person possessing a valid registration, issued pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act, and which expires as of January 1, 1998, shall be deemed, as of January 1, 1998, to hold a provisional license to conduct those activities authorized by the registration.

(2) (A) Every owner of a gaming club who possesses a valid registration issued pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act, if the license has expired as of January 1, 1998, shall be deemed to hold a provisional license to own, manage, or operate all or a part of another gambling establishment, or of other gambling establishments, if all of the following conditions are satisfied with respect to the other gambling establishment or establishments:



(i) The gambling establishment, on January 1, 1998, was owned by a person holding a provisional license pursuant to this subdivision.

(ii) Acquisition of the ownership interest is completed no later than June 30, 1998.

(iii) The applicant has deposited all moneys as required pursuant to Section 19855 of the Business and Professions Code, as enacted by this act.

(iv) The applicant has deposited with the division a license fee calculated as the amount specified for the appropriate level of operation in subdivision (a) of Section 19941 of the Business and Professions Code, as enacted by this act.

(B) A provisional license granted in respect to a gambling establishment by operation of subparagraph (A) shall expire on July 30, 1998, unless, on or before that date, the holder of the provisional license files an application for a gambling license with respect to that gambling establishment under the Gambling Control Act (Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code), as enacted by this act.

(3) Until a provisional licensee is summoned pursuant to subdivision (e), no other state gambling license and no key employee license shall be required in connection with the operation that is owned, managed, or operated by a person holding a provisional license. Nothing in this paragraph shall relieve any person who, on or after the effective date of this act, acquires an ownership interest in a gambling establishment, from the provisions of Section 19840 of the Business and Professions Code, as enacted by this act. Upon payment of the fees described in this section, the provisional license shall be valid until the earlier of the following events:

(A) December 31, 1998.

(B) The granting or denial of an application for a gambling license.

(c) Until July 1, 1998, the Director of the Division of Gambling Control may issue a provisional license to any person who submitted a completed application for

registration pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act, if all of the following are true:

(1) The director determines that the applicant is not disqualified based on any of the reasons for which an application for registration could have been denied or revoked under former Section 19809 or 19810 of the Business and Professions Code as those sections read immediately prior to repeal by this act.

(2) The applicant has paid all fees required pursuant to Section 19855 of the Business and Professions Code, as enacted by this act, less any fees paid pursuant to Section 19808 of the Business and Professions Code, as that section read immediately prior to its repeal by this act.

(3) The applicant has deposited with the division a license fee calculated as the amount specified for each level of operation in subdivision (b) of Section 19941 of the Business and Professions Code, as enacted by this act.

(d) Every person holding a provisional license pursuant to subdivision (b), who desires that the provisional license be converted to a gambling license under the Gambling Control Act enacted by this act shall, no later than January 31, 1998, deposit with the Division of Gambling Control a license fee calculated as the amount specified for the appropriate level of operation in subdivision (b) of Section 19941 of the Business and Professions Code, as enacted by this act.

(e) (1) Commencing July 1, 1998, the Division of Gambling Control shall summon persons holding provisional licenses for the purpose of applying for gambling licenses under the Gambling Control Act enacted by this act. Thereafter, except as otherwise provided herein, the license application process shall proceed as an initial application for licensure in accordance with the provisions of the Gambling Control Act, including the advance deposit of fees for investigation of the application or applications, if any.

(2) The division shall not require an applicant who holds a provisional license pursuant to subdivision (b) to



furnish, in connection with an application for licensure, information or documentation that is presently in the possession of the Department of Justice by virtue of having conducted a prior investigation of the applicant pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act.

(f) If an application for a gambling license is granted, and upon payment of the fees specified in the Gambling Control Act, a gambling license may be issued to the owner of a gambling enterprise, to expire not later than 12 months thereafter. If this license is issued prior to December 31, 1998, the licensee shall be entitled to a credit, if any, for the fee paid pursuant to subdivision (d).

(g) Notwithstanding subdivision (a) of Section 19847, there shall be a rebuttable presumption that every natural person who, on December 31, 1997, holds a valid and unexpired registration issued pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act, is suitable for licensure pursuant to this act.

(h) If an application for a gambling license is denied, the applicant shall be entitled to a pro rata refund of the fee paid pursuant to subdivision (d), and any unused deposit of investigative fees.

(i) If the Division of Gambling Control does not, prior to December 31, 1998, summon a person holding a provisional license for the purpose of applying for a gambling license, the division, upon request of the holder of the provisional license, and upon payment of the fees specified in the Gambling Control Act, shall extend the provisional license until December 31, 1999. Thereafter, the process described in subdivisions (e), (f), and (g) shall apply in similar fashion.

(j) No application for a state gambling license may be submitted to the Division of Gambling Control prior to July 1, 1998. It is the intent of the Legislature that the division and the Gambling Control Board shall be fully operative by July 1, 1998.



SEC. 63. All administrative or judicial proceedings that were initiated pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act, and that are not concluded prior to the effective date of this act, shall continue and shall be governed by those provisions until concluded.

SEC. 64. Sections 19852 and 19852A of the Business and Professions Code, as enacted by this act, shall not apply in a situation where the initial or subsequent annual renewal licensure of any gambling establishment with respect to which, on December 31, 1997, all persons who were required to be registered pursuant to former Chapter 5 (commencing with Section 19800) of Division 8 of the Business and Professions Code, as it read immediately prior to its repeal by this act, possessed a current and valid registration. However, Sections 19852 and 19852A shall apply to any annual renewal licensure under the Gambling Control Act, if the application therefor includes an application for expansion, as defined by subdivision (b) of Section 19852 and subdivision (b) of Section 19852A of the Business and Professions Code, as enacted by this act.

SEC. 65. All unencumbered funds remaining in the special account in the General Fund established pursuant to former Section 19818 of the Business and Professions Code, as that section read immediately prior to its repeal by this act, effective January 1, 1998, shall be transferred to the Gambling Control Fund created by Section 19940 of the Business and Professions Code, as enacted by this act.

SEC. 66. Sections 4 to 52, inclusive, of this act shall become operative on the earlier of the following events:

(1) January 1, 1999.

(2) The date of enactment of a statute appropriating funds for the funding of the Division of Gambling Control created by Section 15001 of the Government Code and the California Gambling Control Commission created by Section 19810 of the Business and Professions Code, as added by Section 4 of this act.



SEC. 66.5. Notwithstanding any other provision of law, the Division of Gambling Control and the California Gambling Control Board created by this act have every power conferred by Sections 1 to 3, inclusive, of this act until the Governor, by executive order, declares that the California Gambling Control Commission is prepared to assume the responsibilities and exercise the powers conferred by Sections 4 to 52, inclusive, of this act.

SEC. 67. The California Gambling Control Board and the Department of Justice shall jointly prepare a written report setting forth the expenditures of fees and revenue collected pursuant to this act on and after January 1, 1998. The report shall be submitted to the Senate Committee on Budget and Fiscal Review, the Assembly Committee on Budget, and the Joint Legislative Budget Committee on or before April 1, 1998.

SEC. 68. Section 58.5 of this bill incorporates amendments to Section 186.9 of the Penal Code proposed by both this bill and Assembly Bill 195. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 1998, (2) each bill amends Section 186.9 of the Penal Code, and (3) this bill is enacted after Assembly Bill 195, in which case Section 58 of this bill shall not become operative.

SEC. 69. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution for certain costs that may be incurred by a local agency or school district because in that regard this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

However, notwithstanding Section 17610 of the Government Code, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title



2 of the Government Code. If the statewide cost of the claim for reimbursement does not exceed one million dollars (\$1,000,000), reimbursement shall be made from the State Mandates Claims Fund.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.



Approved _____, 1997

Governor

